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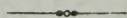
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## OUR CONTRIBUTORS

**Shri A.C. Banerjee:** M.A. (Cal.); Lecturer in History, Presidency and Govt. Sanskrit College, Calcutta, July 1944—November 1945; Organisation & Methods Officer, Government of Bengal/West Bengal, December 1945—January 1949; Deputation under Government of India, (Ministry of Finance) in the Indian Audit and Accounts Service, February 1949—January 1954; Staff Audit Officer, Govt. of West Bengal, February 1954—.

**Shri K.N. Butani:** Lecturer in Physics, D.J. Sind College, Karachi, 1943-47; joined the Indian Revenue Service, 1947; Income-tax Officer, Bombay City, 1947-53; Principal Incometax officer, New Delhi, 1953-55; O.S.D., Income-tax Reorganisation Unit, Central Board of Revenue, 1955-56; Appellate Assistant Commissioner of Income-tax, New Delhi, 1956; Deputy Secretary (Committee on Plan Projects), Planning Commission November 1956—

**Shri K.K. Dass:** I.C.S.; Commenced service in 1938; Assistant Collector, Madras; Sub-Collector; Commissioner, Madura Municipality; Additional Joint Secretary, Board of Revenue; transferred to United Provinces in 1947; District Magistrate and Collector; Sales-Tax Commissioner; Collector-in-Charge, Jhansi Division; at present Commissioner for Reorganization and Secretary to Government in the General Administration Department, Uttar Pradesh.

**Shri N. Datta-Majumder :** I.A.S.; Director of Anthropology cum Anthropological Adviser to the Government of India.

**Prof. D.G. Karve:** M.A. (Bombay); veteran economist and philosopher-administrator; Chairman, Bombay Administrative Enquiry Committee, 1948; Executive Editor, Bombay District Gazetteers (Revision), 1948-52; Chairman, Madhya Bharat Co-operative Planning Committee, 1952; Director, Programme Evaluation Organisation, Planning Commission, 1952-55; Director, Indian Institute of Public Administration, 1954-55; Member, Panel of Economists and Panel of Land Reforms, Planning Commission. Author of "Public Administration in a Democracy."

**Shri K.S. Krishna Swami :** M.A.; B.L.; F.I.C.W.A.; Joined Indian Defence Accounts Service in 1930; Deputy Controller of Military Accounts, Lahore and Northern Command; Financial Adviser to the General Officers Commanding, Kohat and Waziristan Districts, N.W.F.P., 1931-39; Controller of Naval Accounts, Bombay, 1940-43; Controller of Army Factory Accounts, Calcutta, 1943-48; Deputy and later Joint Financial Adviser, Defence Finance 1949-54; Joint Secretary, Finance accredited to Food & Agriculture, Rehabilitation and Labour Ministries, 1954-55; Joint Secretary, special Reorganization Unit (Home and Finance 1955) Joint Secretary, Works, Housing and supply Ministry; Chairman, Hindustan Housing Factory from 1955 onwards.

**Shri S. Lall:** C.I.E.; 1941; joined the Indian Civil Service, 1919; Assistant Collector, Bihar and Orissa; Joint Secretary Royal Commission of Labour in India, Secretary to the Government of Bihar and Orissa, Education and Development Departments; Deputy High Commissioner for

India, London, 1938-44; Offg. High Commissioner for India, London, 1941-42; Secretary to the Government of India, Ministry of Labour, 1946-50; Chairman of the Governing Body of the International Labour Organisation, 1948-49; Assistant Secretary-General, United Nations, 1950-54; Chairman, Air Transport Council, India, 1955—.

**Shri D.L. Mazumdar :** joined Indian Civil Service, 1929; Secy., Bengal Jute Enquiry Committee, 1938-39 ; Special Officer, Department of Finance, West Bengal, 1939-40 ; Secretary, Indian Central Jute Committee, 1940-42 ; Deputy Director of Civil Supplies, 1942-43 ; Deputy Secretary, Ministry of Labour, Government of India, 1944-45 ; Joint Secretary, Ministry of Works, Mines & Power, Government of India, 1945-49; Secretary to the Indian Delegation to the World Trade Conference at Havana, Cuba, Ministry of Commerce, Government of India, 1947; Member & Secretary, Fiscal Commission, Ministry of Commerce, Government of India, 1949-50; Member & Secretary, Import Control Enquiry Committee, Ministry of Commerce, Government of India, 1950; Member & Secretary, Company Law Committee, Ministry of Finance, Government of India, 1950-54; Special Officer, Department of Economic Affairs, Ministry of Finance, 1952-54; Officiating Secretary, Deptt. of Economic Affairs, Ministry of Finance, 1954-55; Secretary, Department of Company Law Administration, Ministry of Finance, Government of India, 1955 to date.

**Shri H.M. Patel :** I.C.S. ; Sub-Divisional and District Officer, Sind, Separation Officer, 1935; Deputy Secretary, Finance Department, Government of Bombay, Secretary, Stock Exchange Committee, 1936-37 ; Trade Commissioner for Northern Europe, Hamburg, 1937-39 ; Deputy Trade Commissioner, then Trade Commissioner, London, 1939-40 ; Deputy Secretary, Eastern Group Supply Council, 1941-42 ; Deputy Director General, Supply Department, 1942-43; Joint Secretary and late Secretary, Industries and Civil Supplies Department, 1943-46 ; Joint Secretary and Secretary to Cabinet, 1946-47; Secretary; Ministry of Defence and Partition Secretariat, 1947-53; Secretary, Ministry of Food & Agriculture, 1953-1954 ; Secretary, Ministry of Finance, Department of Economic Affairs and Partition Secretariat upto 1st January 1957 ; Principal Secretary, Ministry of Finance from February 1957.

**Shri P. Prabhakar Rao:** Joined Hyderabad Civil Service, 1943; Deputy Collector and Assistant Secretary, Board of Revenue, Hyderabad State, 1944-50; appointed to I.A.S., 1951; Collector and District Magistrate 1951-54; Under Secretary, Home Ministry, 1954-55; Deputy Secretary and Deputy Establishment Officer, Ministry of Home Affairs, Government of India, 1955—.

**Shri M.S. Ramayyar:** joined Indian Audit and Accounts Service, 1940; Deputy Financial Adviser, Ministry of Finance (Defence), 1947-50; Director of Inspection, 1950-51; Director of Audit and Accounts, 1951-52; Accountant General on Special Duty, 1952-54; Additional Deputy Comptroller & Auditor General, 1954—.

**Shri P.C. Suri:** joined the Provincial Civil Service (Executive) Punjab, 1940; Civil Supplies Officer, 1945-48 ; District Organiser, Civil Supplies and Rationing, 1948-51; Private Secretary to Deputy Chairman/Minister for Planning and Irrigation & Power, Under Secretary, Planning Commission, 1951-55; Convener, Study Groups on Panchayats, and Efficiency and Economy in the Irrigation & Power Sector of the Plan; Director, Public Management Studies, Planning Commission, 1955—.

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## THE ROLE OF PRIVATE SECTOR IN INDIAN ECONOMY \*

*H.M. Patel*

**I**T is not often that a civil servant like myself has to stand before such a distinguished gathering of university teachers and students to speak on an important but controversial issue of public policy. Controversy, however, has so clouded the issues involved that it seemed to be desirable to take this opportunity you have offered to me to consider this matter afresh and as dispassionately as possible. In a way, I was also happy to be given an opportunity of getting away from the day-to-day preoccupations of official life in order to have a closer and comprehensive look at some of the larger issues of economic policy in the country.

Things in India have moved at breakneck speed since Independence in the economic as in other spheres of life. The brief but disastrous experiment with decontrol in 1947, the reimposition of controls in 1948, the devaluation of the rupee in 1949, the acute shortages of food-grains and essential raw materials in 1950 and 1951 at the time of the Korean boom, the formulation of the First Plan in 1952, the preoccupations with deflation in 1953, the virtual elimination of controls in 1954-55 and the adoption of the Second Plan in 1956—these and other events of great consequence have followed each other in quick succession and have been interspersed by the adoption of important legislation covering land reforms, company law, development and regulation of industries, labour relations and a host of other things. In the meanwhile, important pronouncements about economic policy have been made by the adoption of the two Industrial Policy Resolutions—first in 1948 and then in 1956—as also by the adoption by Parliament of the socialist pattern of society as the objective of economic policy.

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\* Text of a speech delivered under the auspices of the Economic Department of the Rajputana University, Jaipur, on March 5.

It is not easy to see the sum-total of all these pronouncements and policies and measures; but it is important, nonetheless, to look at the totality of the measures adopted in the economic field, at the general pattern in which economic policy is being arranged, at the sense of direction which it is acquiring—and to assess whether it contains within itself the momentum to carry the Indian economy most speedily to progressively higher levels of efficiency and production.

It is for this reason that I have chosen as my subject such a large topic as the role of the private sector in Indian economy. Perhaps it would have been better to define the subject as the role of private initiative and enterprise in the Indian economy—for, what is worthwhile and indispensable in a democratic society is the initiative and enterprise of individual citizens rather than the form of organisation, private or public, through which it is mobilized.

It would be agreed on all sides that private enterprise and initiative have a valuable part to play in a democratic society; it would, I believe, be equally well agreed that in a poor country which is striving to make up a terrific leeway in economic progress against heavy odds there is need for State initiative, State direction and State regulation in the general interest. But can it be that in providing for the legitimate functions of the State in the economic sphere we have gone too far and created conditions in which private initiative and private enterprise cannot function effectively and in the best interests of the society? This is a question which needs to be raised and answered, not the least because it is one which has aroused a fair degree of controversy both in India and among our friends and well-wishers abroad.

Controversies about the respective roles of the public and the private sectors will, I fear, continue unabated for a very long time to come—at least as long as human passions and preconceptions refuse to yield to the verdict of facts. But, in speaking to a gathering of students and teachers, I am emboldened to attempt an answer—or rather, to draw attention to a few relevant facts and considerations in the hope that they would help you to make a judgment for yourself.

## II

What then is the role of the private sector in Indian economy? Let us begin by taking a look at the part that the private sector is playing at present in the totality of economic activity in the country. Most of you must be familiar with the estimates of national income put out, from time to time, by the Central Statistical Organisation. These

estimates bring out a remarkable fact, viz., that the share of the Government in the generation of the total national product in India is hardly of the order of 8 per cent of the total. As much as 92 per cent of the total incomes in the country are generated by the private sector.

In terms of the total expenditure in the country, the share of the Government is slightly higher—of the order of 9 per cent in 1953-54 or, say, roughly 10 per cent of the total now. All the expenditure of the Government, including the expenditure of Government-owned enterprises, comes to a bare one-tenth of the total—the rest is accounted for by the private sector.

Even by comparison with avowedly free enterprise countries, such as the United States of America, the share of the Government in total economic activity in India is among the lowest in the world. In the United States, for example, the total Government expenditure in 1955 amounted to some 76 billion dollars out of a total gross national product of 387 billion dollars—or some 20 per cent of the total. In other countries such as the United Kingdom or France, the share of the State in total economic activity is even higher.

The private sector in India thus clearly plays a much larger role relatively to the public sector than in most modern communities and it will be a long time before the role of the State in India approaches anywhere near the range and scope of its activities in most civilized communities. And this is hardly surprising when we recall that for generations under the British rule, the State confined its activities to the minimum requirements of law and order. Economic matters were left, by and large, to be governed by a policy of *laissez-faire*. But whatever the reason, it is, I think, important to bear in mind the broad fact I have just mentioned in any judgment about the proper balance between the private and the public sector in India.

There is another important fact which must also be borne in mind in judging the role of the private sector in India, viz. that by far the largest part of the private sector in India consists of small peasants and craftsmen, of small traders and professionals.

Much of the controversy about the role of the private sector in India centres round the role of the organised sector of manufacturing industries. But this sector—or what we might call the Private sector with a capital P—forms only a small part of the economy and it would be a mistake to assess the impact of our economic policy on private initiative and enterprise in India with reference solely to organised

industries which account only for about 8 per cent of the total production or incomes in the country. It is only proper, therefore, to emphasise a fact which tends to be overlooked, namely that a large part of the economic activity of the State in India is devoted to creation of conditions under which genuine enterprise and initiative may develop among the large majority of citizens in this country—among peasants and artisans of all kinds.

For generations, life in Indian villages has stood still. There has been very little improvement in the productivity of land and of the simple handicrafts which provide but a miserable pittance to millions of our fellow-citizens. Unemployment, under-employment and landless labourers have grown from decade to decade and there has been hardly any improvement in the standards of health and education in rural India. It is to the revitalisation of rural India that the bulk of the energy and resources of the State in recent years have been bent—and I submit that the development of initiative and enterprise among the bulk of our people would remain but a dream in the absence of State initiative and guidance in a variety of ways.

I do not wish to narrate to you all that the State is doing in the field of health, education, irrigation, agricultural extension, rural credit and co-operation, protection of and encouragement to small-scale industries and so on. But it is important to stress the fact that for the large majority of our citizens, the conditions essential to evoke in them a spirit of enterprise and initiative are being created for the first time in many generations by the active efforts of the State.

In this effort, the co-operation of the people is being sought and encouraged at every stage as is evidenced by the faith we have put in that remarkable movement for Community Development and National Extension. We are not preparing for any collectivist regime in our countryside but are endeavouring instead to build a class of independent peasants and craftsmen, reasonably secure against the depredations of both man and nature, with a hope for the future and a faith in themselves and in their endeavours. This large fact should not be forgotten in making any over-all assessment of economic policy in India in relation to the scope for private initiative and enterprise.

I hasten to add that I refer to the policy in regard to agriculture and small-scale industries not by way of any apology for the policy in regard to the organised private sector. My aim has only been to provide a proper perspective to this question of the role of the private sector in India. Nor is it my intention to suggest that policies in

regard to the organised sector of industry and commerce are any the less important than policies in other fields.

### III

It is, I think, generally agreed now that rapid industrialisation is vital to India, that in the years to come, the organised sector of industries must grow considerably, both absolutely and in relation to the rest of the economy. It is, therefore, of the utmost importance that the policies we adopt in this field now in the early years, are such as to provide for the fastest rate of industrialisation that the country can achieve.

There are, I think, four different questions that we need to ask in order to determine whether the present policy towards organised industries in India is unduly restrictive of private initiative and enterprise or not : (1) Is there genuine reason to apprehend arbitrary nationalisation as far as organised industries are concerned? (2) Is the scope for expansion of private industries unduly restricted? (3) Are there too many restrictions in the way of the day-to-day management of private industries? And finally, (4) is the State doing enough by way of positive assistance to encourage the growth of private industry?

I shall begin with the last of the questions I have just posed. The extent of Government support and assistance to organised private industry is, I am afraid, not fully appreciated in the country. Nor is it appreciated that so many of the so-called restraints on private industries are only devices for ensuring a balanced pattern of assistance to different sectors of private industry.

Take the question of industrial finance, for example. Apart from setting up a large number of financial institutions such as the State Finance Corporations, the Industrial Finance Corporation and the I.C.I.C.I. (Industrial Credit & Investment Corporation of India)—the State has not hesitated to advance money in appropriate cases directly to private industrial concerns as, for instance, to the Atul Chemical Products. The significance of the financial assistance rendered by the State can be seen from the fact that over the First Plan period, a sum of Rs. 44 crores was made available by the State to private organised industries in different ways—a sum which was, in fact, somewhat larger than the total amount realised by private industry from the capital market through new issues.

The estimate of State assistance to organised industry I have just quoted is of the Planning Commission. The Report of the World Bank Mission which visited India last year puts the total of State assistance to private industry over the First Plan period at a somewhat larger figure of Rs. 55 crores. The second Plan provides for an even larger sum of State assistance to private industry. And in the recent agreement signed with the United States for the purchase of surplus agricultural commodities we have explicitly provided that a part of the rupee proceeds of these purchases shall be utilised for assisting private industry. The sum to be so provided amounts to Rs. 26 crores.

Apart from assisting private industry from its own resources, Government has also used its good offices in obtaining loans for it from the World Bank. All such loans are guaranteed by the Government. We have also agreed to be a member of the newly-created International Finance Corporation which is an affiliate of the World Bank in the hope that this would facilitate a larger flow of external finance to private industry.

But perhaps the most substantial financial assistance given by the Government to private industry is in terms of a large number of tax-concessions which are given at present to industry for development purposes. Apart from the development rebate and the additional depreciation allowance and allowance for scientific research, all new manufacturing companies enjoy a tax holiday for five years, they being not subject to tax on profits upto six per cent of the capital employed. Dividends declared by such companies out of this exempted portion of income are also tax-free in the hands of share-holders, whether resident or non-resident. In several cases, dividends earned by a company on investments in other companies are tax-exempt.

I wonder if the sizeable investment undertaken by private industry in recent years out of their own internal resources would have been possible without the generous tax-rebates and tax-exemptions granted by the Government and I venture to think that not a small part of the internal resources of companies consists of the tax saved as a result of the concessions allowed by the Government for development.

Apart from financial assistance, private industry enjoys protection from foreign competition in many ways and enjoys the benefit of technical and other advice from Government financed institutions. Let us not forget that protection to Indian industry implies some cost to the society at large in the short-run. And it is only natural that,

in turn, society claims the right to demand that the protected units make as rapid a progress as possible. And this calls for a measure of careful planning by the Government. Very often, new industries can come into existence and develop only if they are allowed to import processed, or semi-processed components on a considerable scale; it becomes necessary, therefore, for the State to insist that more and more of the components would be produced in India as time goes on. Very often, it becomes necessary to limit the establishment of new units—in the interest of the units already established behind the walls of protection so that the latter may get on their feet quickly.

Some of the restraints, again, on one part of private industry have to be imposed in the interest of some other sector of private industry. A large part of the scrutiny exercised in the matter of licensing new units or additional capacity under the Industries (Development and Regulation) Act of 1951 is exercised in this spirit of safeguarding the interests of organised industry as a whole against the wastefulness of unregulated competition.

I do not wish to suggest that assistance in the promotion of industries is a one-way traffic—that all the assisting is done by the State to the private industry and that the latter has been a passive partner. Indeed, private industry itself has played a valuable part in helping in the formulation of the over-all plan of industrial development and in the preparation of blue-prints for some of the industrial enterprises in the public sector. Many of the distinguished industrialists in the country and many technical experts associated with private industry have sat in committees and meetings and have laboured hard in the formulation of industrial projects and policies of concern to both the public and the private sector.

When the Prime Minister says that there is no private sector and no public sector but only one national sector, it is surely to this interchange of technical know-how and expertise among all sections of the people that he is referring. And, despite all the red herrings that tend to be drawn across the trail, in an attempt to prove some charge of so-called governmental or private intransigence, I think we should not allow ourselves to forget that, in a considerable measure, this spirit of working in harmony for the most rapid development of industries in the country is already a reality.

#### IV

Let me turn now to the other questions I raised some time back—first of all, whether there is any warrant for private industry in India to fear arbitrary nationalisation. There can be little doubt that a man

under the sentence of death does not put forth the best of his ability or talent. But I think it is clear that not only has no such sentence been pronounced but also that the temptation to nationalise existing industries for the sake of nationalisation has been stoutly resisted in India. This is a matter in which assurances have been repeatedly given by the highest quarters and I can do no better than quote the Prime Minister :—

“I have no shadow of doubt that, if we say ‘lop off the private sector’ we cannot replace it adequately. We have not got the resources to replace it, and the result would be that our productive apparatus will suffer. And why should we do it?

I don’t understand. We have our industries, there is a vast sector, and we have to work it. Let the State go on building up its plants and industries as far as its resources permit. Why should we fritter away our energy in pushing out somebody who is doing it in the private sector? There is no reason except that the private sector might build up monopoly, might be building economic power to come in the way of our growth. I can understand ‘prevent that, control that, plan for that’; but when there is such a vast field to cover, it is foolish to take charge of the whole field when you are totally incapable of using that huge area yourself. Therefore, you must not only permit the private sector, but I say, encourage it in its own field.”

I have no doubt that responsible sections of the private sector in India have no misgivings on this question of nationalisation. Government record speaks for itself. The special reasons which led to the two important acts of nationalisation—of the Imperial Bank and of Life Insurance—are, I think, now better known and more fully appreciated. The nationalisation of the Imperial Bank was prompted solely by the desire to fill a lacuna in the structure of rural credit to enable the State to undertake tasks which a private commercial bank could not be expected to undertake. As the Chairman of the new Life Insurance Corporation, I am perhaps not the best witness in testifying to the soundness of the nationalisation of Life Insurance in the country. But I am confident that time will show that the step was necessary, in the interest of the average man and the country, and that it has not and would in no way hamper the adequate supply of insurance funds for the growth of private industry. I think I am also right in asserting that much of the misgivings about the Constitutional

amendment which we adopted in 1955 has also disappeared by now. In effect, this amendment removed questions of compensation for nationalisation from the jurisdiction of the courts. The principle of recognising the Parliament as the supreme authority in determining compensation is an established one in most countries including the United Kingdom, and in accepting the same principle for India we did little more than prevent excessive litigation in courts in support of dubious claims contrary to the wishes of the electorate. Any misgivings that the Constitutional amendment might be used as an instrument of confiscation have been set firmly at rest by the compensation actually provided for in the case of the Imperial Bank and the Life Insurance companies.

So much for the future of private industrial units already in existence. What about the scope for future expansion of private industry? A few industrial undertakings were completed by the State in the First Plan period, notably the Sindri Fertilizer Factory and the Chittaranjan Locomotive Works. Some of the industrial enterprises owned and operated by the old princely States were also inherited by the present Government of India. But, by and large, the State had not entered the industrial field to any significant extent till recently.

In the Second Plan period, however, the State proposes to invest some Rs. 600-700 crores in large-scale industries and has definitely taken upon itself the direct responsibility for setting up a number of industrial enterprises. There has thus been a clear shift in emphasis in favour of a more active participation by the State in industrial development.

But to say that the State has set out to participate more actively in industrial development is not the same thing as saying that the private sector is being circumscribed—much less unduly circumscribed—in the matter of industrial development. The Second Five Year Plan provides for a much larger investment by private organised industry also—some Rs. 600 to 700 crores of new investment against some Rs. 250 crores in the First Plan period.

The substantially larger participation of the State in industrial development is only a reflection of the fact that we have now set our sights rather high in the matter of industrial development and that we have given high priority to the development of basic capital-goods industries. These basic industries require large amounts of capital and entail a high degree of risk and it is doubtful if their development on the scale required could have even been attempted without the active participation of the State.

I am, for the moment, ignoring the important and vital consideration of the speed with which it is essential that these basic industries should be developed, for it is quite obvious that private enterprise could not even have attempted to undertake all the development in this sector that is projected during the Second Plan period. In almost all cases, the establishment of heavy industries—steel plants, electrical equipment and so on—requires the technical cooperation and financial assistance of foreign investors and foreign governments.

It is again doubtful if arrangements for foreign assistance and cooperation on an extensive scale—and for long-term projects with a considerable element of risk—could have been made by private entrepreneurs alone, acting on their own initiative and on the basis of their own good-will.

I have already indicated earlier that the Government has used its good offices for obtaining external finance for private industry. In the Second Plan also, and even in the field of basic industry such as steel, the private sector is being encouraged and assisted in implementing schemes of substantial expansion. When all these things are taken into account, it is difficult to see the justification for contending that the expansion of private industry has been or will be held back artificially in the second five year plan. Indeed, the early development of these basic industries is already resulting in the development of a number of ancillary industries by private enterprise, which would otherwise have not been possible.

## V

In a sense, I think, we also get a somewhat wrong picture of the relative roles of the public and the private sectors in industrial development in the Second Plan by looking merely at the relative figures of proposed investment. The public sector has chosen for itself deliberately the difficult field of heavy industries—industries where investment is large in relation to output. The investment of the private sector, on the other hand, will be spread over the whole range of industries with the result that, with roughly the same total investment, the private sector would account for a much larger share of the additional output. I doubt if the output of all the industrial enterprises in the public sector at the end of the Second Plan will reach even 10 per cent of the total output of organised industries in the country. This rough order of magnitude must be borne in mind when we consider the relative ability of the two sectors to shoulder effectively the responsibilities they have assumed.

If we look beyond the Second Five Year Plan, the broad outline of the role of the public and private sectors in industrial development are defined in the Industrial Policy Resolution of 1956. This Resolution clearly reiterates the intention of the Government to play a more active part in industrial development, particularly in the sector of basic and heavy industries. But, at the same time, the 1956 Resolution provides for a great deal of flexibility in the application of the broad principles laid down therein.

Only four industries or public utilities are specified as exclusively within the jurisdiction of the Central Government, that is, railways and air transport, arms and ammunition and atomic energy. I do not think anyone would seriously quarrel with this stipulation. The remaining thirteen industries in the first group, which includes iron and steel, mineral oil, coal, shipbuilding etc., are defined as industries where all new units are to be established by the State.

But even in this field, the expansion of existing units is not ruled out; nor is the cooperation and participation of the private sector to be shunned when it is in national interest. That this flexibility is intended to be a real thing is clear from the recent agreement with the Assam Oil Company and from the sizeable expansion plans of the two private steel plants in the country.

The Industrial Policy Resolution also defines a second group of twelve industries including aluminium, fertilizers, synthetic rubber etc., in which the State will increasingly establish new undertakings. But this field will also be open to the private sector as indeed the vast field outside the two groups of industries listed in the Resolution. The Resolution states explicitly that the division of industries into separate categories does not imply that they are being placed in water-tight compartments. It is recognised that there will not only be an area of overlapping but also a great deal of dovetailing between industries in the two sectors.

It is, of course, possible to argue that as long as there is any field in which the right to establish new units is reserved, by and large, by the State, there is a corresponding infringement of the freedom of the private sector to develop. I can only say that this is a view which is clearly unacceptable to the Government as well as to the large majority of the people. There is no need to deny that there are wider considerations of national interest which require that the ownership and control of a few specified industries must rest, by and large, with the public sector.

If you examine the seventeen industries listed in Schedule A in the Resolution, you will find that they are all carefully chosen and that there are good reasons why the future development of these industries should be in the public sector to the extent possible. I have already referred to air transport, railways, arms and ammunition and atomic energy where the reasons for a State monopoly are obvious enough. Several others such as the generation and distribution of electricity, telephones, aircraft, shipbuilding and minerals required for Atomic energy are also of a non-controversial nature inasmuch as they are already largely in the public sector or are providing exclusively for the requirements of the public sector. That leaves broadly two other fields which are reserved largely for the public sector, viz., the development and exploitation of the country's mineral wealth on the one hand and the development of iron and steel and the heavy machine-building industries on the other.

India is not so very rich in mineral wealth in relation to her requirements and there is, therefore, urgent need for ensuring that the exploitation of natural wealth is not guided by short-term considerations of private profit alone. The treasures of the earth have also been a great bone of contention among nations especially when their exploitation is left solely to rival international cartels. As for iron and steel and the heavy machine-building industries, I have already indicated the reasons why for many years to come the resources required for their development could in any case come largely only from the public sector. It is, of course, possible to hold a different view in specified cases; but, by and large, the division of responsibility defined in the Industrial Policy Resolution stands to reason and, in any case, it leaves sufficient room for flexibility to accommodate individual cases.

## VI

I have not yet dealt with one aspect of my subject this evening. What about the various measures of regulation adopted by the Government? Do they not constitute a considerable interference in the day-to-day affairs of private industry? This is a rather large subject inasmuch as one has to consider a great many items of recent legislation from a number of stand-points in order to answer the question satisfactorily.

I will only make one rather obvious but often overlooked point that a country which wishes to improve its standard of living quickly and which has unquestionably limited resources of men, money and

material, must necessarily ensure that no avoidable waste takes place in the utilisation of these resources : and if there is one thing about which there is no doubt at all it is that unrestricted competition, or *laissez faire* in full, is the most wasteful of all forms of economic organisation. You have in it invariably first to incur a lot of expenditure which becomes infructuous as the forces of competition lead to the elimination of the less competent or the less efficient firms.

This trial and error method of economic development is not only the negation of all planning, but is one which it would be suicidal for a country like ours, which has fallen behind-hand in the economic race, to afford. That is why, even the private enterprise is not only prepared for but accepts the need for a measure of planning and regulation; but it has a tendency to stop short in its acceptance of regulation at a point where at the least it becomes arguable that the general interest is not fully safeguarded without further regulation.

But I think I am right in saying that a large part of the regulatory measures adopted by the Government are not only acceptable to most businessmen in the country but are also recognised by them as being in their own general interest as well as in the interest of the country. I venture to think that the Industries (Development and Regulation) Act, the control over capital issues and over exports and imports as well as the selective control exercised by the Reserve Bank over bank credit, are all examples of government regulation which have, by and large, a wide measure of support from private industry itself. The air of controversy seems to surround only two measures in the main—the new company law and the taxation of companies.

The new company law undoubtedly gives a large number of discretionary powers to the Government. But it has been repeatedly made clear that these powers will be used most carefully and consistent with the important role assigned to the private sector.

It has, I think, been a common experience in India in recent years to find that the spate of criticism which accompanies almost every new measure subsides as time goes on and as it becomes apparent that the fears expressed earlier are belied in the actual administration of the measure. The company law seeks to perform the legitimate function of safeguarding the rights of shareholders, of preventing excessive concentration of powers and of strengthening the confidence of the people in the corporate sector by reducing the danger of mismanagement and fraud.

Let us not forget that the industrial development of India hitherto has been on the basis of a great deal of concentration of power in the hands of a few people not all of whom command a great deal of respect from the people. In these circumstances, the powers acquired under the new company law can serve to create a new confidence in the corporate sector at large. It must be admitted, of course, that some of the provisions might prove to be unhelpful or impracticable in their application, and these, no doubt, will be suitably amended when the law comes to be reviewed. But on the whole, I have little doubt that in course of time, this piece of legislation will also come to be regarded as a help rather than a hindrance to the growth of private industry.

The question of taxation of companies, I am afraid, is a very tricky one. I suppose none of us would like to be taxed really, and it is quite a hopeless task to try and persuade anyone that he is not overtaxed. I have already referred to the large variety of tax concessions that have been granted to private industry for development and I do not wish to enter here into the merits and demerits of various tax measures such as the capital gains tax or of the new provision for compulsory deposit of a part of the reserves of companies. The question I wish to raise is a more general one : Can it be argued that taking the over-all impact of Government's fiscal policy into account, the State is appropriating too large a share of the available savings for itself, leaving too little for the private sector? We may argue a great deal about the rights and wrongs of a particular tax, and certainly, there is scope for devising more rational system of taxation. But the more important question is that of the share of the State in the total savings of the community and the extent to which it uses the powers to tax to raise this share.

Here again, the real situation is one which should be disheartening to the public rather than the private sector. The share of taxation in national income in India is among the lowest in the world—some 7 to 8 per cent of national income as against 20 to 30 per cent of national income in many countries. The public sector in India has hardly any savings it can call its own—the revenue of the Government is just about enough for financing the current outlay of the State so that little or no savings are left for financing the investment in the public sector. For financing its investment, the public sector has to rely largely on borrowing from the people—a task in which it has to compete in the open market with other claimants for the savings of the people. Admittedly, the Government has recourse to deficit-financing to some extent; but here again, it should not be forgotten that the instrument of deficit-financing is available to the private sector

also and is in fact being utilised by the private sector to a considerable extent. I am referring, of course, to the creation of money implicit in the extension of bank credit to the private sector.

All in all, the public sector in India has hardly any special advantage created for itself vis-a-vis the private industrial sector in the apportionment of the savings of the people. When we judge whether the burden of taxation on industry is too high and whether the State is starving private industry of funds in order to push ahead with its own development plans, this over-all fact should not be lost sight of.

## VII

I am afraid, I have taken you on a rather long and tedious excursion into the vast sphere of economic policy in relation to the private sector. My purpose in doing so has not been to assert that everything is well with economic policy in the country. Nor do I wish to suggest that in many individual or specific cases the private sector may not have a legitimate grievance of undue red tape and bureaucratic interference. I do feel, however, that a great many discussions of the role assigned to the private sector in India tend to neglect various important aspects of the problem and to hang a multitude of sins on one or two rather minor points.

I think it is important, in this crucial period of our national development that, we should avoid unfair arguments, misstatements and exaggeration in all controversies. Nothing is likely to corrode the nation's sense of solidarity more than a vociferous and acrimonious debate about the private sector and the public sector.

We have set before ourselves the ideal of a peaceful approach to all problems—the ideal of economic progress without the cacophony of class warfare and mass hysteria. But the echoes of class warfare would not be far if we allow ourselves to drift into a bitter debate among the exponents of the private sector and the advocates of the public sector. There is room enough for both and the broad outlines of policy we have adopted give ample scope for each to live and prosper in mutual harmony. It is in the preservation of this harmony—in the inculcation of the spirit that there is no private sector and no public sector but only one national sector—that the hope for most rapid industrialisation and prosperous India lies. And where there is harmony, there is always room for adjustments and accommodation in mutual interest.

## THE U.S. CIVIL SERVICE COMMISSION

*D. G. Karve*

**L**IKE other organs of public administration Civil Service Commissions in U.S.A. have developed along lines indicated by local conditions. As is well known, for a long time appointments to services were made by political bodies. With reference to the least commendable features of this system, it was described as "spoils" system. As both the political parties obtained more and more experience of these arrangements they saw the superior merits of taking out as large a part of the services out of political patronage as possible, and to entrust the selection of appointees to an expert body. It is said that the murder of President Garfield by a disappointed suitor for a public post hastened the formation of a Civil Service Commission. Whatever truth there may be in this "coincidence" there is no doubt that opinion within and outside the political parties was gradually firming up in support of taking as many appointments out of politics as possible. But the long history of political appointments to services has left its mark even on the institutional arrangements made for non-political recruitment to civil services.

That the three members of the U.S. Civil Service Commission are appointed by the President is in itself not an unusual thing. After all, the President is the Chief Executive and like other principal executives can with propriety have the patronage for these key appointments. These appointments have to be confirmed by the Senate, like all other important appointments. The term of office of each Commissioner is now six years. Much of the efficiency of the Commissioner's work would no doubt depend on the nature of qualifications which are considered suitable for appointment as Chairman or member of Civil Service Commission. No specific qualifications have been prescribed, and in fact the qualifications have varied with the personal preference of Presidents concerned. Out of the three members two, including the Chairman, belong to the majority, i.e. the governing party, and one is necessarily chosen by the other party. Though they are chosen by political bodies, partly at least on account of political considerations, the appointees are themselves not active politicians. All the three members at present serving on the Commission have been career men. Though there is no rigidity or finality about the arrangements, it can now be stated as a broad fact and tendency that the Civil Service Commission in U.S.A. is an independent expert body to aid the

Government of the day in selecting suitable candidates for appointment to public posts in the Civil Service.

The U.S. President is not merely a nominal head of the executive organization of the State but he is himself the executive. It is, therefore, considered appropriate and essential that the persons who influence the choice of public servants should be such as can be trusted to carry out their duties on the highest level both of wisdom and of responsibility. Once this is achieved, there is no intervention by the President in the functioning of the Commission. As usual, this is a matter where personalities would play an important part. But by a growing tradition as well as by the firmer and more detailed institutionalization of its activities, the Commission must by now be said to be free from Presidential interference. The feature, which even now would mostly depend for its beneficial use on the personalities concerned, is the bi-partisan and unbalanced character of the composition of the Commission. That two members belong to the majority party and one to the minority would appear to invite a partisan bias in the working of the Commission. Organizationally, this possibility cannot be ruled out. On the other hand, given the long history of political appointments, such a composition would actually make for better balance and better security than were possible in older days. Moreover, if the tradition of appointing members chosen by the two parties for their experience and expertise is continued the apparently bi-partisan character of the Commission may not create stresses and strains in its working. Even at its best, however, the bi-partisan character of membership is a feature which has more a historical than a functional justification.

Ideas about the most appropriate form of the Commission's organization are all the while under review in keeping with changing conditions. For some time, out of three, one was a lady member. At present there is no woman member on the Commission. The Commission has by now institutionalized its activities in considerable detail. The number of posts in the federal civil services is very large. The terms and conditions are as a rule not more attractive than can be obtained in non-governmental employment. The overall employment situation is such that the number of applicants for the civil service is normally very limited. Tests instituted by the Commission are designed to operate more as qualifying tests than as competitive tests. The available types of posts and the qualifications needed for the same are freely advertised. Applicants are expected to supply adequate personal information in the light of which initial suitability is determined. Candidates so selected are given specific tests, the results of which lend themselves to easy tabulation and assessment. These methods not

only contribute to an almost mechanical accuracy but they achieve a rapidity of operation which ought to satisfy the most impatient candidate. Candidates who feel aggrieved can appeal to a Board composed exclusively of service personnel. Any complaints received from personnel already in service are also attended to by the Board. In cases of special importance, the Commission itself would intervene to ensure that justice is done. Every employing agency has an employment officer whose duty it is to see that no discrimination or injustice is done to any candidate or servant. Heads of offices, who are the employing authorities, have also the responsibility to ensure conditions of fair treatment from the stage of recruitment to retirement.

There are a couple of other agencies which, in some measure, exercise influence in the service organization of U.S.A. A few years before the Civil Service Commission was established, there came into being the National Civil Service League interested in the problems of recruitment, discipline, conditions and operation of public services. In 1906 was established the Civil Service Assembly of the United States and Canada. These are non-governmental organizations. But by their long experience, direct interest and nationwide affiliations these bodies keep up a standard of informed public scrutiny which acts as a healthy influence on the services as well as on the Service Commissions. Within the Government, there is a Congressional Committee on Civil Services which is almost continuously operating as a high tribunal for grievances arising out of service matters, and as an important sharer in legislative and financial authority concerned with civil services. This Committee, like other Congressional Committees, is a bi-partisan organization. The Commission's work figures prominently before this Committee. It is probably in this context that the bi-partisan character of the Commission itself has its most direct relevance.

Among matters which inevitably arise out of a study of the historical background and the natural balance of powers in the American Constitution are questions connected with the 'autonomy' of the Civil Service Commission. In its present form the Commission cannot in theory ask for autonomy, though in practice it may enjoy it in full measure. As the composition and work of the Commission become more and more firmly professionalized as a career activity free from politics, it would be worthwhile considering whether the requirements of close association with the President on the one hand, and the Congress on the other, could not be met by a service bureau under one of the Secretaries, like the establishments division in Ministries of Home or Internal Affairs in other

countries. If this is achieved, the Civil Service Commission may well function as a continuing autonomous body, with appropriate divisions of recruitment, discipline and appeals. The U.S.A., and in fact, all democratic countries have now gone so far on the way to expand the contacts between the governmental organization and the private and business life of the people that it may well be argued that almost like the legislative, the executive and the judiciary, the services must be treated as a functional organ having some direct responsibility towards the people. This growing need may influence constitutional and administrative evolution in many ways.

An autonomous Civil Service Commission would be an important feature of this further evolution. Most of the States have their own civil service commissions, and at least one, New York, has a civil service commission even for county services. These commissions have no direct relationship with the federal commission. Conferences are, however, occasionally held, at which common problems are discussed. No resolutions having a binding validity can be passed, but the course of discussions influences thought over the whole country.

Recognition of public services as an important separate organ, though perhaps not a separate "power", in the organization of a democracy, would bring civil service commissions more firmly and more directly into the operation of democratic life not only in the U.S.A. but in all democratic countries.



"The relationship between political leaders and the people is a reciprocal one. The standards of the people influence those of public officials, and it is hard to develop honest officials in a corrupt society. But it is equally true that high standards on the part of officials and public leaders raise the level of the whole community."

—PAUL H. DOUGLAS  
(in *'Ethics in Government'*)

## ORGANISING A RE-ORGANISATION UNIT

K. K. Dass

**S**OME interest in the problem of re-organising and stream-lining the machinery and methods of Government is now being taken in almost every State of the Indian Union. In Uttar Pradesh, the organisation work has been in progress for several years under a number of officers. To some extent it has been a process of trial and error, and out of the experience it has been possible to evolve certain conclusions regarding the most suitable form and methods of work of the unit to which re-organisation investigations are to be entrusted—conclusions which would seem to be of general application at least in India. These are discussed in this article, and a description of the structure and working of the re-organisation machinery in Uttar Pradesh is given, in the hope that they will be of some interest to administrators in other parts of the country.

The first conclusion is that the re-organisation work should be entrusted to a *whole-time* officer or unit. It requires not only leisure to think, but also non-involvement in departmental work and outlook. It may, however, be desirable to give the re-organisation unit control over some small office (e.g., in U.P., the Inspectorate of Offices), but this should occupy only a fraction of its time and should in some way be connected with its work. To begin with, the unit may not have enough “office” work to do. Indeed, its members may feel a sense of inadequacy. Patience is essential, as, at first, progress should be slow and each step taken carefully. The pace accelerates considerably as time goes on.

Secondly, the Re-organisation Unit should be small—consisting of an officer and his stenographer to begin with. More staff may be added to as work increases; but it should in no case exceed 4 or 5 persons in all. The officer heading it should be fairly senior. In U.P., 3 out of 4 officers have been of Commissioner’s rank, the other being a senior Collector.

The Re-organisation Unit must be abundantly supplied with all varieties of books and periodicals—including those which do not appear to be directly connected with its work. In U.P., it has been possible to draw on the well-stocked and admirably-run Assembly and Secretariat Libraries. In smaller States it may be necessary to give to the re-organisation officer some control over the Secretariat Library.

The Unit should be located in the State Secretariat, and under the Chief Minister and Chief Secretary, as central direction of its work

is essential for success. This will also provide the Unit with the necessary high-level support and enable it to secure co-operation from all quarters.

## II

The analysis and re-organisation of work methods and procedures would require an all-round and comprehensive effort. Independence and democracy have brought about tremendous changes, but administration seems to run on pre-1947 concepts. In fact, in many instances its rigidity has increased. The re-organisation work must, therefore, be done in depth. It is not enough to find out the total volume of work, the amount which can be done by one clerk, divide the former by the latter, and then issue orders about re-allocation of staff. Nor should existing rules be reiterated and brought forcibly to the notice of erring subordinates. Graphs and charts by themselves will not help much. What is wanted is that everything must be examined afresh. The point of view from which this is done is of supreme importance.

In the context of the size and complexity of development and welfare activities, the main perspective of re-organisation has essentially to be 'trust and delegation'. Without 'trust and delegation' it would not be possible to overhaul the administration and to invest it with the flexibility and vitality necessary for the accomplishment of its new and increasing responsibilities. Looked at firmly from this angle, many rules, regulations, orders, returns, registers, etc., disappear automatically. Many of the remainder should be liberalized. But, it is neither desirable nor should it be necessary to deviate much from the existing framework; great changes can be made while still keeping within it.

It is too early yet to form any authoritative conclusions regarding the results of re-organisation measures already taken in U.P., as the first orders (regarding Collectorates) came into effect only recently—from January 1, 1957. But there are indications that the new arrangements have evoked the hoped-for response in loyalty, integrity and hard work. Public co-operation has also been readily forthcoming as their convenience is taken into consideration at every step.

Getting closer to detail, how is the re-examination of the present work methods and procedures to be carried out? One approach would be to read all the manuals, rules, etc. and to try to improve

them. Another is to send out questionnaires and suggest modifications and reforms after taking into account the replies received. Without going in detail into the respective merits of these two processes, it may be observed that the system outlined below has been found very useful in U.P. :

- (a) The work of each official, from the highest to the lowest, in the department taken up for re-organisation, is first examined. A member of the Re-organisation Unit, preferably the officer heading it, visits the office and tries to understand what each member is doing by talking to him personally. The reason and authority for each action is inquired into. Certain conclusions begin to emerge. Pencil notes are taken at the spot. These are immediately reduced to type-written memoranda.
- (b) At the end of the examination, the memoranda are put together. It is then necessary to write a comprehensive, but tentative report and to circulate it for opinion to various officers in the field and the Secretariat (including Commissioners of Divisions). Many valuable criticisms are offered; the report may be thoroughly revised in the light of these. Since re-organisation of this type can succeed only by persuasion, proposals which meet with wide-spread criticism should be abandoned—at least for the time being. In U.P., suggestions from the clerical staff were also asked for; and the useful ones were rewarded, either in cash or by a good entry in the character roll.
- (c) The next step is important. The revised report should be put before a committee of senior officers, presided over by some one other than the re-organisation officer, and after incorporating the changes suggested by the committee, it should be put directly before the Cabinet for their orders. It must not be subjected to “noting” at any stage.
- (d) After the Cabinet’s orders, the General Order based on them should also be drafted by the Re-organisation Unit, if necessary with the help of the departments concerned. The Unit should be given by the Cabinet the necessary power to set right any difficulties that may arise in the implementation of their recommendations. For short period,

say, a year, the officers of the re-organised department should bring these difficulties in writing directly to the notice of the Unit (endorsing copies to their superiors), and the powers given by the Cabinet should be promptly and freely exercised.

### III

The U.P. system of re-organisation has several advantages. It puts forward positive ideas within a recognisable framework. The final orders are based on persuasion, and the reasoning behind them is known and on the whole accepted.

The main disadvantage is the strain imposed on the staff, particularly while the report is being written.

There is an alternative to the report system, which is also being tried out in U.P. This consists of simultaneous examination of the structural arrangements and work procedures and the institution of trial reforms as this examination proceeds. It should only be used when the following two conditions are fulfilled :

- (a) The Re-organisation Unit should have gained in experience, and the practicable and acceptable line of reform should be fairly clearly known both to it and to the Government.
- (b) The administrative unit to be re-organised should be very large, such as the Secretariat.

When these conditions are fulfilled the work may be taken up simultaneously in such parts as will not conflict with each other e.g., delegation, reduction of returns, changes in office procedure, prevention of stagnation in officials. Even so, it will probably be necessary, after the various parts have been dealt with, to write a report stating what has been done and what still needs to be done, so that the final result may not be patchy. Also, a broad plan should be drawn up and approved before the work starts.

### IV

The cost of re-organisation on the lines suggested above is often inquired about. There should invariably be a saving if it is efficiently done, and the results required of the administrative machines are, after re-organisation, produced with the least possible effort. This may mean that a smaller number of staff is now needed, thus rendering

some hands surplus. As their duties change from petty routine to meaningful and responsible work, the pay of the staff have to be suitably increased. Investment has to be made in office equipment and machinery, particularly typewriters. Even so the overall result is, and always should be, a saving, as wasteful effort in Government offices is generally considerable.

In U.P., a firm decision has been taken not to retrench any one as a result of re-organisation. The posts found unnecessary are held in abeyance, or abolished only when the present incumbents are absorbed elsewhere. This does not take long, as fresh posts are always being created in our expanding economy. Till such re-deployment, there is plenty for them to do in clearing up arrears and weeding out old records.

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“We often complain of an excessive tendency... to spend time in discussions rather than in action, but there is no doubt that adequate time for discussions within the organisation enables the spirit as well as the letter of instructions and policy to be transmitted from one level to another. Let us not forget the essential need for adequate staff education to encourage the transfer of ideas between all levels.”

—SIR ALEXANDER FLECK  
(in *‘Vitality in Administration’*)

## SOCIAL AND ECONOMIC IMPLICATIONS OF THE COMPANIES ACT, 1956<sup>1</sup>

D. L. Mazumdar

**I**N a recent commentary on the new Companies Act, 1956, a distinguished lawyer and former Judge of one of the leading High Courts of this country, has observed as follows :<sup>2</sup>

“The Companies Act, 1956, constitutes a landmark in the development of company law in this country. . . Perhaps in no other country is the law relating to companies so detailed and voluminous. But the more notable and important feature is that the Act bears a perceptible impress of the recent trends in the social and economic development in this country and makes a conscious attempt to effectuate some of the directive principles embodied in the Constitution of India. It is not merely a statute which the Companies Act is presumed to be for the formation, management and winding up of companies but is inspired to some extent by a vision to bring about an economic order based on social justice.”

This is a substantially accurate appraisal of the general nature and scope of the new Companies Act, except that the presumption to which a reference is made in the above excerpts is based on the traditional view of the role of company law hitherto accepted in juristic circles in the United Kingdom. But even in that country, it is now being increasingly recognised that “Company Law has developed with exceptional rapidity in the last hundred years and further changes are inevitable, for company law necessarily reflects contemporary social and economic outlook and, in turn, helps to mould the social and economic organization of which it forms part”<sup>3</sup>. Since Company law is, *par excellence*, the basic law for the regulation of corporate enterprise in the private sector of a country’s economy where such a sector exists, it is important, not only for lawyers and judges, but also for businessmen, administrators and politicians, all of whom have an important stake, from their different points of view, in the efficient and purposeful working of this sector, that the underlying aims and objects of the new

1 Adapted from a talk delivered at a recent meeting of the Economic Seminar of the National Council of Applied Economic Research.

2 Company Law by N. C. Chatterjee and N. Krishnamurthi, p.1.

3 Principles of Modern Company Law by Prof. L. C. B. Gower, p.58.

Companies Act should be read, marked, learnt and inwardly digested. The technical aspects of the new Companies Act, which are of purely professional interest to the practitioners of law, throw up problems of a different category into which it is not necessary to enter in this context. This article will be primarily concerned with the wider issues of economic and social policy implicit in the provisions of the Act.

Nevertheless, it is as important for practising lawyers as for others that the basic objects underlying the new Act should be fully appreciated. Following the British traditions on which the practitioners of law in this country have been largely nursed and brought up, they have, as a rule, imbibed the well-known conventional attitude of the English common law courts and lawyers towards the so-called "intentions of the law-makers", and have preferred to rely on logic and precedents in the application of the provisions of statutes to particular cases. And yet, as a distinguished British jurist, commenting on the part of common-law judges and lawyers in the interpretation of statutes with a predominant economic content, has recently pointed out\*, that "legal provisions, whether established by the courts or by legislatures often take the form of broad standards and wide principles. Their application often involves processes of evaluation and subordinate legislation, which are most wisely and efficiently carried out when the purpose of the law is fully realized. Two millenia ago Celsus said, '*Scire leges non hoc est verba earum tenere sed vim ac potestatem*'. Lawyers ought to be acquainted with the policies of the law; and when the laws are concerned with economic issues, it is vital for lawyers to appreciate the economic theories and policies underlying them."

No less important is the need for such appreciation on the part of businessmen and of administrators who have to deal very closely with the working of the private sector. For, it is only through a proper understanding of the basic purposes of the new Act that one can discover that unity of purpose which permeates its varied and complicated provisions, and view the Act in its proper perspective in a constructive spirit. The over-worked businessmen and the administrators, no more than the harried politicians, could not be expected to have much patience with the 654 clauses and 12 Schedules of the new Act. It is not, therefore, surprising that, soon after the Act came into force, many of them were apt to accept, at second hand, views about the new law which sprang from an amorphous mental attitude towards its specific provisions, based either on inadequate appreciation of their basic purpose

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\*From an article by Prof. J.L. Montrose of Queen's University, Belfast, on the administration of anti-monopoly measures and the Restrictive Practices Act (1955) in the U.K., in a recent issue of the *Economic Journal* (Dec. 1956).

or on misconceived apprehensions of the manner in which they were likely to be applied. That original mood still lingers in some very limited areas of the private sector, but this mood is not very dissimilar to the attitude which a recent historian of the contemporary American business life records as having been generally prevalent in the United States of America prior to World War II. Thus, he observes :\*

“Prior to World War II, much of their social thinking had been reflected in attacks on the New Deal and on organised labour, with strong feelings of persecution and bitter resentment against the authors of new restrictions... Nevertheless, the experience of the thirties combined with world-wide tendencies towards social control and socialisation of business, has led businessmen to think deeply about the conditions which must be met if the private enterprise system is to continue as the basic economic organization of this country... It is only within past few years that large numbers of business leaders have publicly acknowledged and actively preached the doctrine that they are servants of society and that management merely in the interests of stock-holders is not the sole end of their duties. Indeed, discussion of the “Social responsibilities of business” has become not only acceptable in leading business circles, but even fashionable.”

There are already signs on the horizon that, in like manner, the working of the new Companies Act in this country over the last twelve months has begun to induce a slow but growing appreciation of its underlying objectives. The evolution of this constructive, as distinct from the earlier combative or critical mood is of great practical importance. For, it is only by a calm and dispassionate examination of its provisions, in the light of the country's accepted social and economic objectives underlying them, that one can arrive at a sound and balanced judgment as to whether the form or the structure of the Act is adequate or defective, and to what extent and in which directions it needs improvement.

An adequate understanding of the basic purposes of the Act is equally essential to administrators entrusted with the responsibility for administering the corporate sector and to those others who have the shaping of administrative policy relating to this sector in their hands. The new Companies Act is not only detailed and voluminous, but, as is well-known, confers large powers on the Central Government in

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\* “Social Responsibilities of the Businessman” by Howard R. Bown, pp.44-45.

order to enable the Administration to apply its complicated provisions to individual cases with judgment and discrimination, to deal with hard or marginal cases with understanding and sympathy, and above all, to impart flexibility to the working of a measure, which requires, perhaps more than any other comparable statute, careful and deft, not rigid and pedestrian, handling. A little reflection will show that the administration of the new Companies Act must involve frequent judgments of value, and the taking of decisions on behalf of Government based on such judgments, in a large number of issues which are essentially "policy" matters, and not merely executive decisions of a type, which could be taken at technical and subordinate levels as in many other spheres of governmental activity, e.g. in the construction of a steel plant or the building of a dam. In other words, the processes of administration in the case of a measure like the Companies Act, if it is to be administered dynamically in fulfilment of its basic purposes, must be informed at every level by a clear perception of policy and objectives. The role of Government in this case cannot, therefore, be merely that of a court of law, and the responsibility of the Administration must of necessity be to administer a policy and not merely a law. In current discussions, this basic difference in the nature of the responsibility for the administration of the Companies Act is not generally understood; and yet administrators concerned with the working of the Act can ignore it only at the cost of forgetting their vocation. Without a thorough and adequate understanding of the basic economic and social logic of the new Act, it would be impossible for administrators to implement its provisions effectively or to exercise purposefully the powers conferred on the Central Government—powers which at many points touch the core of our accepted economic and social policies.

## II

The special features of the new Companies Act which distinguish it from its predecessors are broadly known to students of our current economic and social policy. It does not, therefore, seem necessary to describe them at much length. In any case, space permits of only a very brief reference to a few of the more important ingredients of the basic objectives underlying the provisions of the Act. These may be roughly classified under the following heads :—

- (a) *Measures calculated to dissipate concentration of economic power :*

A string of sections in the Act deals with this matter. Thus, Section 89 provides for the termination of disproportionately excessive voting rights in existing companies after the commencement of the Act. Section 275

prescribes that no person can be director of more than 20 companies; Section 293 imposes several restrictions on the powers of directors with corresponding enlargement of the powers of shareholders; Section 316 limits the number of companies of which one person may be appointed managing director ordinarily to only two; Section 332 provides that no person shall be managing agent of more than 10 companies after the 15th August 1960; Section 368, for the first time places managing agents under the supervision and control of directors without any qualification. Their powers *vis-a-vis* the directors are defined in Schedule VII, and the specific power to nominate directors on the Boards of the managed companies is regulated under Section 377 of the Act. An attempt is made to control undesirable concentration of economic power arising from inter-company financial transactions through the regulation of inter-company loans and investments, in companies which are under the same management as defined in the Act. The sections dealing with this subject, particularly sections 372-73, were of a tentative nature, but the intention of the legislature was obviously to require the prior approval of the Central Government to such inter-company investment within the same management group, when they exceeded certain magnitudes, so that the policy issues arising out of such investments might be carefully assessed in individual cases, and only such investments permitted as were found to be, on balance, in the public interest. The recently formulated scheme for the compulsory deposit of reserves of companies has sought to carry this object further and to cover all companies, although not through the provisions of the Companies Act. The sections mentioned above are only illustrative of the intentions of the legislature to reduce the concentration of economic power in the corporate enterprise in the private sector; many other provisions of the Act directly or indirectly serve the same purpose.

(b) *Measures designed to reduce inequalities of income and wealth :*

The other dominating idea which swayed the legislature was the desire to reduce inequalities of income and wealth. Although it was recognised in course of the debates in Parliament that this object could be achieved through appropriate fiscal measures, the well-known limitations of the fiscal weapons induced Parliament to take the

view that, as an aid to the tax gatherer, it was necessary that a direct attack should be made on certain types of income and wealth, which were earned in circumstances, where the correlation between incentive and effort, or between risk and reward, was not marked or readily visible. Typical of these provisions in the Act are Section 198, which prescribes an over-all maximum managerial remuneration coupled with a minimum managerial remuneration in the absence of, or in the event of inadequacy of profits; section 309 which imposes some limitation on the remuneration of directors; and section 348 which limits the commission earned by managing agents to 10% of the net profits of a company. Power has been taken in these sections to deal with cases where a strict enforcement of the prescribed maxima might either cause undue hardship or produce avoidable disincentives. Similarly, an attempt has been made to control some existing sources of income, particularly in cases where the services rendered by the management are not commensurate with the scale of rewards to which they are entitled. Thus, section 356 of the Act prohibits the appointment of managing agents as selling agents or buying agents of the companies which they manage, except in circumstances where such appointment is permitted under the controlled conditions. Similarly, section 360 attempts to regulate contracts between managing agents and the companies which they manage, relating to the sale or purchase of goods, or the supply of services to such companies by the former. Section 349 attempts a rigorous definition of "net profits" for the purposes of calculating managing agency commission. The effect of this definition has been to reduce appreciably the funds out of which managing agency commission is payable.

(c) *Measures designed to democratise company managements :*

Another important ingredient of the basic economic and social objectives underlying the new Companies Act was the anxiety of its authors to democratise company management to the maximum extent possible. A very distinguished company solicitor, the late Shri S.C. Sen, who assisted a former Law Member of the then Government of India, the late Sir N.N. Sarkar in 1936 to amend the then Companies Act (till then the largest single amending measure), threw away a company lawyer's customary caution and reticence to the winds when he roundly commented in

his report on "the oligarchy of directors and the autocracy of the managing agents". Subsequent events have shown that the managements of companies are not always a powerful or dictatorial as this experienced company solicitor apparently found them in his times. Nevertheless, there was a widespread feeling during the discussions in Parliament on the new Companies Bill that the shareholders of joint stock companies were not having a fair deal and that, therefore, the law should be suitably amended to enable them to exercise a greater measure of control on the affairs of companies. This is the genesis of these provisions in numerous sections of the Act of 1956, where company decisions are made subject to the approval of the company in general or special meeting. The legislatures thought that by placing certain matters relating to the working of companies under the control of shareholders in this manner, they were probably making it easier for the latter to take an intelligent interest in them and to exercise reasonable control over company affairs. In its essence, this argument is not very dissimilar to the popular political argument that the greater are the powers which are conferred on Parliament the greater are its opportunities to take an intelligent and effective interest in the day-to-day working of a democratic Government. Whatever may be one's view about the soundness or validity of this argument, it is difficult to cavil at provisions of this type in the new Act, unless one holds that the postulates of political democracy cannot, or should not, apply to the management of human affairs in other fields.

### III

Even those who accept the implications of the basic social and economic policies underlying the new Companies Act without any mental reservations, have sometimes wondered why the scheme of regulation envisaged in the new Companies Act is *prima facie* so different from the pattern of control envisaged in the U.K. Companies Act, 1948, and in the corresponding State Corporation laws in the U.S.A. and in the Securities Act of the Federal Government of the United States. Those who have had an opportunity of making a detailed study of the nature of the regulatory measures relating to company management and company practice in these two countries would demur to this unqualified generalization.

Nevertheless it must be conceded that our methods and techniques as embodied in the new Companies Act are somewhat different from

the instruments of control provided in the statutes of the other two countries. So far as the basic conceptions underlying our Companies Act are concerned, they are the same as the idea of "trusteeship" which informs not only company legislation but also company practice in the U.K. and the U.S.A. The structure of our Act and the mechanics of its operation are, however, very different, largely because of our different social and economic environment. The nature and scope of regulatory measures, particularly in the economic field, cannot be determined *a priori* on abstract theory, but must necessarily depend on the existing situation in a country, its traditions and institutions, or the lack of them. A comparative study of the structure and the working of laws relating to the corporate sector in the more important countries of the world is long overdue. When any such study is undertaken, as it must be before long, it would reveal the reasons for the different patterns of control and regulation obtaining in the different countries of the world.

It is not possible, within the short compass of this article, to touch upon the relevant human and material factors which account for different legislative types, but it would suffice to say that this difference between our law and those of the advanced countries of the West must be traceable, in varying measure, to the tardy growth of the tradition of fiduciary responsibility in the corporate sector of this country and to the absence of efficient and strong voluntary institutions of the type of the London Stock Exchange or the well-known Issue Houses or Merchant Bankers in the City of London or the well-organized and highly disciplined National Security Dealers' Association of the U.S.A., a voluntary institution which includes in its membership all important firms operating in the "over-the-counter market" in the U.S.A. Consistent with their high standards of integrity and the tradition of honourable service to the business community in their country, these voluntary bodies exercise a degree and range of control over the corporate sector in the U.K. and the U.S.A., which is hardly known in this country, but which, if fully known, would explain, much better than any *a priori* argument possibly could, how the opportunities which the private sector in the U.S.A. and more so in the U.K. enjoy for "determining many phases of public policy by resorting to extra-legal techniques" have effected the design and structure of the Corporation laws and the Companies Act of these countries. Further, the existence of a strong financial press, both in the U.S.A. and the U.K., does a great deal to assist the honest and efficient administration of corporate laws by creating an appropriate climate for their enforcement. The absence of any such effective support for regulatory laws in this country, particularly for laws relating to economic issues, places a heavy burden on the law-makers, who are, therefore, obliged to seek, within the internal structure of the statutes, those

stringent sanctions on which, in the different circumstances of this country, they feel they must, of necessity, rely for their effective enforcement.

In view of these facts, it would be disingenuous to argue that conditions in this country are comparable with those in the U.S.A. or the U.K., and that, therefore, we can emulate the pattern of control and regulation adopted and followed in these countries. This is probably what the former Finance Minister had in mind when in course of the debate on the Companies Bill in the Rajya Sabha he referred to some parliamentary criticisms of the structure of the Bill and the detailed nature of the regulations which it contained, and observed as follows:—

“Much has been said in the Lok Sabha, as well as elsewhere, about the enormous powers conferred on the Central Government by this Bill. I do not know if all Hon’ble Members fully realise the logical dilemma implicit in our basic attitude towards this difficult problem of company law reform. If we could have left joint stock enterprise alone, as it has been left more or less hitherto, obviously all that was needed was to fill in the lacunae in the existing Act and to strengthen the administration to enable it to carry on its limited duties a little better or perhaps very much better than it had hitherto done. But the compulsion of our accepted social objectives and economic policies renders this simple solution impossible. If the lessons of the past of other countries are of any use, our economy seems to be destined for an increasingly large measure of regulation and control in the social interest. The complexities of modern business inevitably determine the character of such regulation. It must either be detailed or it must remain ineffective. Basically this is the justification for the large measure of discretionary authority which has been vested in Government by this Bill. In other words, the powers which the Central Government are taking would seem to be largely a reflection of the scheme of regulation of the private sector envisaged in the Bill. I am confident that the powers which we have taken will prove to be a help and not a hindrance to legitimate business as we intend, as I said, to exercise them with discrimination and despatch.”

#### IV

It would be outside the scope of this article, even if it were possible to do so within its limits, to try and assess the extent to which the basic objectives underlying the new Act have been so far achieved by the

manner in which its provisions have been worked and enforced. But it may not be out of place to make a passing reference to two types of criticism which, taken together, may cancel out, but taken separately deserve careful consideration. In one view, the translation of these basic economic and social objectives in legal terms have in some cases lacked precision and concreteness, with the result, it is argued that unless the specific provisions of this Act relating to these matters are supplemented and followed up by detailed executive policy decisions, the enforcement of these provisions is likely to give rise to needless argument and debate and thereby frustrate the objects of the Act. This criticism is not entirely unfounded, but was not altogether unforeseen. It was recognized from the very beginning that the fundamental postulates of the socialist pattern of society, in so far as they can be legitimately applied to the working of the corporate sector, would have to be given their appropriate shape and form on an *ad hoc* basis. It was understood that individual cases would provide the raw material, which would have to be duly processed into concrete policy decisions by the executive Government in the light of the best company practice prevailing in the advanced countries of the world. The Department specially charged with the administration of the Companies Act was warned in advance that what it would have to administer should be a dynamic policy relating to the private sector and not merely a set of static provisions in the law, subject to the constant guidance of the Minister in charge. This is, indeed, the only satisfactory way in which company law can be purposefully administered in any country. As Lord Cohen observed long ago, "No model system of company law could be satisfactorily administered except through a strong and competent civil service, for it was of the essence of any such system that executive powers must be given to the executive, and a large measure of discretionary authority must of necessity be vested in the organization responsible for the administration of the Companies Act." This then was the solution propounded of the conundrum posed above. Specific policies could even be evolved in concrete terms to suit particular situations only on the basis of current events and past precedents; and only a Department closely in touch with the day-to-day working of the corporate sector and functioning directly under the Minister could frame such detailed policies.

The other criticism of the basic objectives underlying the Act is that they do not comprehend within their scope several vital issues affecting the operations of the corporate sector. In this context, particular mention has been made in some quarters of the absence of any effective provisions in the new Companies Act against anti-social practices like the speculative cornering of shares, with a view to securing

control over the management of well-run industrial concerns by undesirable elements in the trade and industry of this country. So far as the specific point about cornering is concerned, it is now generally recognized in all well-informed circles that, to the extent that some corners are found to be anti-social, they represent a symptom which cannot be eradicated, unless the disease which gives rise to them has been correctly diagnosed and the appropriate remedies devised. What is needed for this purpose is an integrated approach, based on calm and comprehensive thinking, and a concerted attack on the essentially institutional problems which give rise to this malady. No provisions in the Companies Act can deal effectively with this evil, unless they are to be so drastic as to destroy the foundations of the competitive capital market of a country. There is, however, a point of wider and more general import arising out of this argument which has a greater measure of validity. While it is true that the Companies Act—even an Act so detailed and voluminous as ours—can never provide a complete panacea for all the ills of the corporate sector, it is no less true that if the basic economic and social objectives underlying this Act are to be effectively realized, it is essential that the administration of all laws connected with the organization, structure and working of joint stock companies must be carefully co-ordinated and integrated. This has been the experience of the U.S.A. and the U.K., and indeed of all advanced countries of the world. That is, however, a different theme relating to the most appropriate form of departmental organization for the administration of the corporate sector, which, notwithstanding its importance and urgency, falls outside the scope of this article and must, therefore, be left out of the present discussion.



“The laws reach but a very little way. Constitute government how you please, infinitely the greater part of it must depend upon the exercise of powers, which are left at large to the prudence and uprightness of ministers of state. Even all the use and potency of the laws depends upon them. Without them your commonwealth is no better than a scheme upon paper; and not a living, active, effective organization.”

—EDMUND BURKE

Public buildings - Planning -

## VIGYAN BHAVAN—A STUDY IN ADMINISTRATIVE ORGANISATION

*K. S. Krishna Swami*

**O**N a New Delhi plot of land, which but a short-while ago was covered only with some decaying trees and small brick structures, now stands an imposing building—the Vigyan Bhavan. Architecturally, it is a combination of ancient and modern ideas but in regard to functional utility, it is wholly modern. Situated within a mile from the hub of Government—the Parliament House and the Headquarter offices of the Central Ministries and Departments—Vigyan Bhavan has been constructed to accommodate large international and national conferences as well as cultural and scientific gatherings. It was largely because India had invited UNESCO to hold their 17th General Conference at New Delhi in September-October 1956, that the project for the construction of Vigyan Bhavan was conceived and carried through with remarkable speed. Unreserved appreciation since received from UNESCO and from the organisers of other later conferences and meetings in regard to the facilities provided to them in Vigyan Bhavan has been a source of great pride and satisfaction to all who were concerned in the planning and execution of the project.

Vigyan Bhavan consists of a main conference hall with a capacity for 706 delegates and 322 visitors, and smaller rooms for holding the sessions of commissions and committees, all fitted with equipment for simultaneous interpretation of speeches into different languages. The building has its own internal telephone exchange as well as direct dialing facilities from the main city exchanges. There is a bell-and-light indicator system for summoning delegates from all parts of the building into the meeting hall. A post office for handling inland and foreign mail, a telegraph office, bank facilities as well as offices for travel and tourism are all provided for within the building. It also houses two modern studios for broadcasting, one of which can be easily connected to the Overseas Communications Service. In addition, there is sufficient accommodation for housing the secretariats of large international conferences.

From the date of commencement of preliminary planning to the date on which the conference hall was handed over for use by the UNESCO Secretariat, the total period taken was only 18 months. Normally, the time taken would have been at least twice as long. All

the engineers and technical personnel concerned in this enterprise did a truly magnificent job for which they have received just tribute from the highest quarters.

This article is not, however, intended to describe the engineering and architectural details of this building nor to discuss what technical problems arose and how they were solved. The object of the writer is to draw attention to some interesting aspects of the whole enterprise looked upon *as a problem in administrative organisation*. Because of the dates already fixed for the UNESCO General Conference, the project had to be planned and completed in less than half the time than what would ordinarily have been spent on a project of such a magnitude. Similar achievements are not unusual in times of war when considerations of economy are almost wholly eliminated and the normal departmental procedures and safeguards freely disregarded. The problem here was to speed up the planning and construction *without, in any way, lowering the standards or disregarding departmental drill*. Some of the rather unusual departmental forms and workways which were adopted to solve this problem are described below in the hope that they may be of special interest in the general context of the programme for planned and rapid development on all sectors which is embodied in India's Five Year Plans.

## II

In a construction project of this kind, both in planning and execution, the needs of many different types have to be balanced and satisfied. There is, first of all, the consideration of the facilities to be provided; then there are questions relating to architectural and engineering designs and techniques, limitations about the supply of raw materials, equipment and technical personnel needed, and factors of cost and time. Ordinarily decisions in regard to such matters are taken and co-ordinated by cross-reference of papers between different authorities. This is usually a long drawn-out process, especially where the parties concerned differ in their ideas or emphasis. To arrive at *quick* and agreed decisions, both in regard to policy and its application, the device of "a co-ordinating committee in continual session" was employed.

Accordingly, the very first thing that was done was to set up a Construction Committee consisting of engineers of every kind (viz., civil, electrical, acoustic, electronic, telegraphic and municipal), representatives of most of the Ministries of the Government of India, and of contractors. This Committee, of which the present writer

was the chairman, played a two-fold role. Firstly, it functioned as an agency for co-ordination. Secondly, it served as the "brain storming" centre of the project. Every member had the right and opportunity to speak fully and frankly regarding his problems, his difficulties and the solutions he proposed. Differences were settled and necessary decisions taken *across the table*. There was no question of rank or false dignity. In the atmosphere of such free and frank discussion, every man felt that he was a vital limb of the Government and that it was up to him to come out with ideas and suggestions for expediting the project.

A very serious problem the Committee had to face related to delay in the supply of certain vital supplies. These could not, for various reasons, arrive in time and the problem became particularly acute in the later stages when, due to disturbed conditions in the Suez Canal, the manufacturers were unwilling to despatch the goods by the usual route and were demanding higher freight. Such problems were faced boldly as they arose. Quite often someone or other was able to suggest a substitute or an alternative arrangement to tide over the difficulties. A representative of the Director-General of Supplies & Disposals sat on the Committee and procedural difficulties were, therefore, immediately and easily resolved. The Committee favoured the use, to the maximum possible extent, of furnishings and fittings made in the country. The transport costs were also to be kept to the minimum. Where necessary, special officers were sent to Bombay and Calcutta to clear vital imported materials held up at the docks. Carriage by aircraft, which is always an expensive item, was successfully avoided, except in the case of a few components of the sound and interpretation equipment.

Another important problem was to evolve a time schedule which clearly lays down the dates for the completion of the various jobs and stages. This was by no means an easy task. However, it was satisfactorily accomplished by consulting, and taking into account the difficulties of the persons who were actually responsible for the job to be done. The Committee recognized that in any project or venture, requiring co-ordination and co-operation among many authorities and specialists, the manner of dealing with human material is very important for purposes of evoking and pooling of the best efforts. The targets and dates were kept as realistic and practicable as possible. In particular, the individuals in charge of the jobs were asked what kind of special assistance they desired and every attempt was made to give each the assistance he needed. This helped to create a sense of responsibility, a feeling that every one had to put his shoulder to the wheel.

## III

It is often mentioned that one reason why projects and schemes are delayed is that government procedure is cumbersome and that the apparatus of checks and balances built into the system has generally the effect of slowing down the tempo of programmed activities. This is a matter which is already receiving attention at the highest level in India. In the case of the present project, the authorities decided to adopt a novel approach to this eternal problem. The engineers were invited to scrutinize the rules regulating their activities, and to point out whether the requirements of any rule stood in the way of their quickly finishing the job. The object underlying the rule or regulation was quickly gone into and decisions were taken at a very high level, after ascertaining the facts of the case. In other words, the object of the rules was always kept in view; in fact, it was never by-passed. What was avoided was the usual time-consuming process of notings and cross-notings which are recorded on government files before any decision is arrived at. A copy of the decision at the governmental level was sometimes given to the subordinate officer to protect him against the transactions being queried in future.

The construction work was mostly done by contract. All contracts were awarded on the basis of tenders, except for certain special items where contracts were awarded by negotiation. On the building side, the major contract was given at slightly below the estimated rates. Somewhat higher rates were allowed for some of later contracts where the work was required to be completed in an abnormally short period. Similarly, on the electrical side, in respect of items of airconditioning and sound system the time allowed was limited and higher rates were allowed. Even against these higher rates, there can be set off the invisible gains in the forms of saving on overheads, made by large engineering organizations because the work is finished more rapidly. This aspect is frequently overlooked in making a financial appraisal of such projects.

It was realised from an early stage that there should be an engineer of sufficient stature on the site; one civil engineering division under an executive engineer was exclusively put in charge of construction; and during the last few weeks a special Superintending Engineer was employed to streamline the work of civil, electrical, airconditioning, and telegraph engineers.

Some changes had to be made in the details of the plan and designs after the work had been started. The problems of fitting them in,

within the overall plan of work and the time-schedules of construction, had often to be solved across the table between planners, architects, executive engineers and others concerned. There were also a few cases where structural changes were made as the work progressed. Normally, these problems are very time-consuming but were solved rapidly by decisions taken on the site by officers at a high level.

It was made clear to engineers and others working at every level that every one had to assume full responsibility in a well-defined sphere and if, for adequate reasons, authority was exceeded such initiative would be commended, and not called into question. Such an approach to day-to-day problems and the mental attitude generated in this atmosphere led to a remarkable spirit of enthusiasm and co-operation. And the departmental 'file' relating to the project remained quite slim throughout.

The need for speed in execution necessitated some decentralisation of administrative and financial powers from the top to middle levels. But as this decentralisation would have involved a change in the departmental procedures the *formal* and legal responsibility continued to rest with the Chairman of the Construction Committee. In practice however, he had to take quick decisions on important matters and allow the executive staff the fullest possible *de facto* freedom and authority to take decisions in anticipation of his approval. In doing this he had to take some risks also. But these risks were what he considered "calculated risks". The nature and duration of the risk was clearly understood, but as far as possible he had in view also certain corrective measures to be taken, should initial results show that matters were turning out differently. All this was made possible by implicit trust placed in him and in the Chief Engineer by the highest authorities. It was the climate of trust, which was the largest single factor that made the timely completion of the project possible. This is a matter of some significance at a time when we are engaged in an attempt to improve the working of the entire administrative machine.

Mention should also be made here of the way ideas and suggestions flowed from all quarters to make the project a grand success. The engineers on the spot took special care to consider the suggestions put forward by the subordinate personnel working under them. At the level of the Committee, the views of the engineers and technicians were fully respected in arriving at final decisions on technical matters. Sometimes the technicians produced excellent ideas even on non-technical problems. For example, when the arrangements for simultaneous interpretation of the speeches were being considered, one of the young

engineers suggested that as the UNESCO Conference was being held in India, a Hindi translation of the proceedings should also be put on the air along with the other recognized international languages. Again, when dealing with the question of how many telephones should be installed, it was a technical officer who suggested that there should be a direct link with the Rashtrapati Bhavan so that the President could comfortably listen to the debates of the UNESCO Conference from his residence. In cases of this type no one would have blamed the engineers if they had contented themselves with the customary attitude ; it is for the customer to notify his requirements.

#### IV

The successful construction of Vigyan Bhavan in a remarkably short time and within the framework of departmental procedures leads to certain obvious but interesting conclusions. *First of all*, this experience has shown that to save time in the long run, one has often initially to go through a period of what appears superficially to be “inaction”—a period of time when the administrator must necessarily be exercising his mind on some kind of job-analysis, pre-planning, selection of the right type of human material and a rough financial appraisal. Some kind of “drill” must be laid down, however rough it may be, and some provision must be made for a kind of periodical check-up, so that any tendency for things to go wrong is curbed in time. *Secondly*, there is great need and a high opportunity for the top civil servants—who must be leaders of administration—to build, within their organisation, mental attitudes of trust, quick decisions and willingness to give and take responsibility. Without these, the present system of checks and balances is likely to defeat its purpose. *Thirdly*, all Government servants, especially administrators, should have a “right” to commit a few mistakes and accept a few “calculated” risks if worthwhile results are to be speedily achieved. So long as the mistakes are *bona fide* and are not due to lack of pre-planning or failure on the part of a Government servant to apply his mind, a reasonable view should be taken by all concerned in dealing with such mistakes.

Thus, there is considerable scope for improvement of performance within the framework of the present organisational structure and departmental procedures. If the engineers and administrators apply themselves, to the completion of a project, with a boldness of imagination and a sustained enthusiasm, quick and effective results can be achieved even under the now existing circumstances. Organisational structure and work procedures are

always static; even if overhauled, in the dynamic society of today they soon lag behind. Quick decisions and speedy execution depend, therefore, largely on the attitude with which the engineers and administrators approach their tasks. That does not in any way undermine the need for a continual O. & M. study for an overhauling of structural arrangements and departmental procedures which is always essential for a larger achievement over a wider field and as a regular feature.



“The strength of a coordinated programme of development lies in the quality of the specialised services which are brought together. Co-ordination should therefore be so organised as to bring out the best in the specialist. This involves a clear appreciation of the responsibilities of technical departments at each level in the scheme of operations, and a proper recognition of their contribution to the common programme.”

*(From ‘Seccond Five Year Plan’)*

## THE ADMINISTRATIVE PERSONNEL IN INDIA

P. Prabhakar Rao & P. C. Suri

THE forces of Development, Socialism and Democracy today present a creative challenge to the administrative personnel in India—a challenge which cannot be successfully met by *ad hoc* or piecemeal reforms. The administrative organization and practices in India inherited on the attainment of Independence were largely the result of the historical evolution during the last three hundred years or so. Three recent developments—Partition, Post-War adjustments, and Five Year Plans—have led to a great deal of concentrated thinking and reform in regard to the problems of organisation and also to an extent in regard to methods. In the field of personnel, however, thinking and practices lag behind. Here, the need for long-range planning, reorientation of structure, recruitment and training policies has now become imperative in the face of the increasing expansion and complexity of governmental functions and also in view of the desirability of converting the bureaucratic administration into a dynamic democratic administration which would adequately serve the requirements of a socialist pattern of society. The present article deals only with one aspect of long-term planning and reorganisation of the administrative machine, i.e. structure, recruitment, training and building up of administrative personnel possessing the requisite capacities, skills and attitudes.

The principal tasks in the field of planning for, and development of, personnel, under the second five year plan, have been stated to be : (a) integrity; (b) continuously assessing the requirements of personnel in relation to the tasks to be undertaken, organising large-scale training programmes in all fields, and mobilising the available training resources; and (c) building up administrative and technical cadres and providing incentives and *opportunities for creative service*\*. It has been further suggested that the requirements of personnel should be viewed over a sufficiently long period, say, ten years. The plan also refers to the arrangements at present under way for the constitution of an Industrial Management Pool, and to the advantages which would accrue from building up of permanent cadres for specialised technical posts, and joint development cadres or other cooperative arrangements between the Centre and the States. The success of the second and future five year plans is dependent upon the extent to which the

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\* Second Five-Year Plan, p. 127.

arrangements in regard to service "cadres" secure integrity, creativeness and incentives adequate to the three challenges of development, socialism and democracy. The function of creativeness is to provide dynamism; of incentives, the urge for increasing efficiency in administration; building up of personnel will serve both these ends.

The *traditional* concept of the neutrality of the civil services is well known. According to it, the sole task of the administration is to carry out the objectives and the policies set out by the party in power; as between 'ends', the administration is always to maintain a strict neutrality; it has to confine itself to 'means' only. There is, however, one major difference between countries where the democratic political structure was established as a process of evolution and the countries where the democratic set-up has been established on securing political independence and where the Constitution prescribes the 'ends'. In the latter, the role of the public administration and the public services does not remain neutral in regard to 'ends' either. The public services in India are pledged to subserve the 'ends' enjoined in the Constitution. The administrative personnel required to implement a socialist programme in a democratic state must naturally have certain attitudes and skills which are basically different from those called for in the case of the administrative personnel of a totalitarian state. Some skills which are essentially fundamental would be common, such as the ability to think and express oneself clearly and logically; a knowledge of the practical applications of economics and other social sciences; general managerial ability; and imagination and foresight. But there are other skills which are particular to the implementation of a socialist programme in a democratic state. These include an appreciation of democratic values; training and experience of working through democratic processes; skill and endurance in handling of group discussions and in the crystallisation of group thoughts and decisions; a capacity to integrate different points of view, i.e. need for cultivating an attitude of open-mindedness for views different from one's own; initiative and enterprise to push ahead in the face of the seemingly slow-moving democratic machine; a new sense of social responsibility to supplement material incentives; skill to evoke a sense of social purpose among officials and to win the co-operation and participation of the non-official elements; and finally, ability to raise the skill and administrative capacities of the people through leadership, training and proper organisation.

In an egalitarian society of tomorrow wherein ministers, legislators, leaders of business and industry, social workers, people and civil servants have to function together as a team fruitfully, it is essential

that they should possess the right attitudes as well as adequate capacities and abilities, a code of behaviour acceptable to society and a spirit of service in order to be able to meet the challenge of the self-generating dynamic socialist society. A most challenging development in the administration is its growing complexity, variety and scale of operations. In order to match up to this challenge, it becomes necessary to develop a dynamic attitude to self-development; to make arrangements and opportunities for building up new skills and new capacities for manning new functions; and to create the atmosphere for securing initiative and enterprise. Basically, the character of services has become more and more managerial and 'business efficiency' should be the aim even of normal administration. It is in this context that certain suggestions for reorientation of the present structure and of methods and policies concerning recruitment, training and building up of personnel are discussed below :

## II

The existing policies and practices in regard to recruitment and promotion are inherently conservative. On the one hand, the present design of the structure of the I.A.S. and other higher services is leading to an 'over-saturation' of incentives ; on the other, there exist inadequate opportunities for promotion from below; nor is the base for 'selection' sufficiently broad. The personnel at the lower levels generally do not have the necessary incentives to improve their performance as promotions to the state and central cadres of the civil and secretariat services are not open to the extent they should be to the members of the junior services and personnel of other junior cadres like the developmental personnel in the Community Projects and N.E.S., or the various *ad hoc* cadres like those of Research Officers in the Central Government. There have been no significant changes, either in the structure or in the methods of recruitment in many of these cadres except to the extent that the top posts at the Centre are now open not only to the officers of the I.C.S. and the I.A.S. but also to those of the Central Secretariat and Central Field Services, but this development has in no way basically altered the situation in regard to 'incentives' in the lower and middle rungs of the hierarchies.

The process of recruitment by open competition is intended to secure for the services their due share of the 'cream' of students from universities. The U.P.S.C. has recently expressed concern over the growing deterioration in the standards of performance of candidates appearing at public competitive examinations. In this

context, the following statistics of marks obtained by the candidates who were offered appointment to the I.A.S. from 1948 to 1954 may be of particular interest :

Year	Number offered appointment	Number who secured marks		
		more than 60%	between 55-60%	between 50-55%
1948	21	8	13	..
1949	34	6	17	11
1950	29	4	25	..
1951	38	6	19	13
1952	52	4	21	27
1953	42	3	15	34
1954	49	2	14	22

The lowering of performance standard in competitive examinations may be a consequence of the deterioration in university standards and not of individuals. In spite of the far greater opportunities open to the present generation, the level of intellectual discipline, initiative and assimilated knowledge at universities has gone down in recent years.

Even in matter of numbers, the present strength of senior personnel is inadequate to meet our needs. Planning for the recruitment of personnel in general, and for the I.A.S., the Central Accounts Services and Central Secretariat Service in particular, has been on a conservative basis, with the result that it became necessary to organise special *ad hoc* recruitment to at least two of these services for a second time within eight years of the first emergency recruitment, and to revise the sanctioned cadre-strength of the I.A.S. at short intervals of a year or two. The Accounts Services are experiencing an acute shortage of experienced personnel at the higher levels.

An analysis of the strength of the state civil services shows that before the recent reorganisation of States the number of State civil servants per district ranged from 1.5 in Rajasthan to 18-19 in Punjab and Bihar. The table opposite gives the comparative statistics of density of population, the strength of State civil servants, and the number of persons served by one State civil servant.

The above data, however, is in no way conclusive. The strength of the senior State civil servants in an area cannot obviously be based on considerations of area or population alone; it has normally to take

TABLE No. 1

## DISTRIBUTION OF STATE CIVIL SERVANTS

States* (Classified by density of population)	Strength of State Civil Service (Executive)	Strength of State Junior Civil Services	Population served by one State civil servant
<i>Group A</i>			
Travancore-Cochin	200	not available (N.A.)	} 45,000 to 1 lakh
West Bengal	228	318	
<i>Group B</i>			
Bihar	378	742	} one lakh to 2.5 lakhs
U.P.	432	N.A.	
Madras including Andhra	299	651	} 51,000 to 3 lakhs
<i>Group C</i>			
Pepsu	34	N.A.	
Punjab	235	238	
Bombay	125	372	} 58,000 to 2.7 lakhs
Mysore	138	100	
<i>Group D</i>			
Orissa	138	N.A.	} 58,000 to 2.7 lakhs
Hyderabad	67	278	
Saurashtra	81	101	
Assam	140	140	
Madhya Bharat	112	250	} 4 lakhs
Madhya Pradesh	85	N.A.	
<i>Group E</i>			
Rajasthan	38	N.A.	

\*Figures in brackets show density of population per square mile.

into account the real needs of the area, in the context of its stage of development, together with its actual and potential contribution to the State revenues and general prosperity as a whole. Nevertheless the present arrangements in regard to staffing of the services are uneven and there is need for a uniform, though flexible, approach to recruitment policies and practices. On the other hand, the distribution of the I.A.S. in terms of number of officers per district and in relation to key-posts is, on the whole, more or less uniform (vide Table No. 2 opposite).

### III

Another outcome of the exclusive-hierarchical approach to the planning and staffing of the various cadres has been the emergence of an imbalance between age and incentives. The case of the I.C.S. serves as an illustration in point. Its strength at present is 248. According to a tentative estimate, there are about 66 openings at the pay-level of Secretary/Additional Secretary in the Central Government. These top positions are, under the present arrangements, mainly manned by the I.C.S. officers. Some of the other I.C.S. officers who are already joint secretaries or occupy equivalent posts have still another 15 to 18 years of service to go. An analysis of the retirement position shows that even in 1972, i.e. 15 years hence, all the 66 top-posts may, on the whole, still remain with the I.C.S. officers unless the openings at that level increase. During this period, about 472 I.A.S. officers would have retired without having reached the top levels. As a result, it is very likely that the middle group of the I.A.S. will become stratified. Although the reasons for such a situation are partly historical, it is not desirable that such stratification should set in, in so large a number, in that very service which the architects of free India and of its Constitution established as an executive instrument for the realization of the national goal of a welfare state.

The over-saturation of incentives referred to above is the result mainly of : (a) the partition of the country and the disappearance of the British element in Services consequent on the attainment of Independence; (b) the superannuation rules which give the officers of the I.C.S. a longer tenure; (c) under-estimation of the future needs of senior personnel; and (d) imbalanced structure and method of recruitment.

For instance, the 1954 I.A.S. structure was conceived on the basis of 1200 recruits through open competition out of a total strength of 1541. Its strength now is 1672. On the basis

TABLE No. 2

**Distribution of I.A.S. Officers in the States**

**(Before re-organisation)**

Sl. No.	Name of the States	Density of Population per sq. mile	No. of I.A.S. per District	One I.A.S. officer serving population of (in thousands)	One I.A.S. officer serving the area of (in thousand) . miles
1.	Travancore-Cochin	1015	5	400	0.40
2.	West Bengal	808	7	230	0.30
3.	Bihar	572	4.5	500	0.78
4.	Uttar Pradesh	557	3	390	0.76
5.	Madras (including Andhra)	453	7	320	0.71
6.	Pepsu	347	3	130	0.43
7.	Punjab	338	4	240	0.75
8.	Bombay	323	4	360	1.1
9.	Mysore	296	5	200	0.64
10.	Orissa	244	4.5	220	0.96
11.	Hyderabad	227	4	200	0.92
12.	Saurashtra	193	4	180	0.95
13.	Assam	176	2	270	2.3
14.	Madhya Bharat	171	3	130	0.86
15.	Madhya Pradesh	163	4	250	1.5
16.	Vindhya Pradesh	151	4	100	0.79
17.	Rajasthan	117	3.5	170	1.5

of an average service-span of 30 years, including 5 years on the top grade (at the pay-scale of Secretary/Additional Secretary in the Central Government), each direct recruit will have a fair chance of reaching the top level if there were 50 retirements every year on an average; in fact, these are over 60. As mentioned above, the next 15 years will see a retirement of about 190 I.C.S. and another 472 I.A.S. Officers. The over-saturation of incentives to the I.A.S. group recruited directly since Independence becomes obvious enough.

Is such an over-saturation of incentives wholesome for the development of the personnel? The I.A.S. personnel are being taken away in large numbers from field posts and are being put on the Secretariat jobs, before they develop the necessary breadth of outlook and maturity of administrative insight into the complex problems that Government faces today.

The present imbalance in the distribution of personnel needs to be restored by a proper scheme of redistribution and also by providing greater opportunities, for renewal of contacts with district administration (including development work), to officers who have for too long been accustomed to taking decisions not well co-related to circumstances in the 'field'. A short-term solution of the problem would be the movement of the top personnel into new fields of entrepreneurial activities which the State is embarking upon. This would obviously necessitate the development of new entrepreneurial skills on the part of such personnel, and would also incidentally reduce somewhat the corroding influence of routine working. A judicious induction of senior I.A.S. personnel too into public enterprises will provide these enterprises with personnel of varying talents, backgrounds and experiences and make for a more balanced and smoother functioning. In the entrepreneurial field one has to constantly experiment with newer and better methods of execution; this is all the more necessary in a mixed economy under a democratic order.

The final solution, however, of the present problems of over-saturation of incentives at certain levels, as also of other ills in the field of personnel, lies in long-range planning of the structure, recruitment policies and training methods. The aim of planning of administrative personnel should be to anticipate and prepare a reservoir for meeting the requirements of the future. It takes 10 to 15 years to build up an executive. The planning of administrative cadres should secure balanced age grouping and correct the present imbalance in regard to age and incentives. What is needed is not a conservative estimation

and expansion of the cadres, but planning for and staffing of all categories of services liberally on the basis of the needs during the next 20 to 30 years.

#### IV

Side by side with the over-saturation of incentives for the I.C.S. and direct recruits to the I.A.S. there has been a singular inadequacy of similar incentives at the lower levels of the administrative hierarchy, both in the Central and the State Governments. The absence of these incentives has reacted unfavourably not only on the quality of performance but also on the attitudes of the civil servants towards the ordinary public. The present system of direct recruitment through a public competitive examination requires an expensive education in early years which only the "better-placed" persons can afford. The existing arrangements offer less opportunities to those who cannot afford this early education but afterwards make good their way. As a consequence, the great majority of public servants have nothing much to look forward to.

In a country where the levels of education and general awareness, are comparatively low and where opportunities for liberal education are restricted, a levelling up of standards is a pre-requisite for finding the personnel of the right calibre at the time of initial recruitment, in large numbers, to the lower formations of the administrative machinery. Yet, by subsequent training, by provision of opportunities for talents to show up and for shouldering of increased and tougher responsibilities, it should be possible to *develop* the personnel substantially and to allow those of proved competence and merit to come into the front line of the services.

It should be the responsibility of a democratic socialist government to provide for a structure in which the lowest in the rung of official hierarchy can rise up to the highest positions, and also ensure by periodical reviews that this vertical movement does, in fact, take place. Considered from this aspect, the present arrangements are not very satisfactory. A basic change is needed in the promotion policy. The primary object of promotion should be not to provide personal rewards for good routine performance but to provide over a long period of time opportunities for making special contributions to the tasks undertaken. While a small percentage may be fixed to provide for personal reward for long service rendered, (i.e. through seniority), as recommended in the Second Five Year Plan "liberal opportunities for promotion should be afforded to the best among the personnel of the State Services".

In this context the experience of the United Kingdom may be of some interest. In the United Kingdom, the need for promotion from the lower to the higher division was recognised as early as 1873 but was continuously stalled for about six decades in spite of the recommendations of various commissions. The main arguments generally advanced against promotions from the lower cadres were : (1) The work at the higher level required certain level of intellectual discipline and training. If the intellectual level of its civil servants was lowered, the State would suffer badly; (2) The character of the work in the inferior grades was not calculated to develop high capacity; and service in the second division, on routine work for a period of time, far from brightening a man's wit and intellect, was likely to stunt the growth of ability; and (3) Promoted lower grade men would not have the requisite flexibility of mind. Those coming in through direct examination were found to be more adaptable. In favour of promotions from below, it was contended that : (1) A selected lower-grade man was as good as the best (of the first division) in regard to personality, the force of character, power of command and width of outlook; and he generally knew the office and its real business better than the officer of a higher division; (2) In order to stop stunting of the growth of talented recruits in the lower formations, promotions should take place before the deadening influence of mechanical activity had gone too far. The potential selected men in lower divisions could be tested by giving them more adequate responsibilities and executive tasks. Further, they should be provided with adequate opportunities for improving their qualifications.

It would also be of interest to know that, in Australia, the entire recruitment to the top administrative services, and in France, half of it, is by promotion. In the U.S.A., the second Hoover Commission has strongly recommended the establishment of a Senior Civil Service by the process of selection from the serving personnel of all the departments and agencies on the basis solely of demonstrated competence and integrity.

## V

There are two additional reasons for providing for vertical mobility all along the line of the hierarchy and on a wider base : (1) the need for fitting the 'development' personnel into the 'regular' administrative structure; and (2) the desirability of raising the general level of executive ability and talent.

In the States, in India, during the last ten years or so, an important development in the field of administration has been the emergence

of two new levels of initiative in the administration, especially at the sub-divisional and block levels. The block development officer's role is essentially that of a middle-level executive. It is a creative, constructive role and involves coordination between four or five types of experts, coordination of the resources of the people and the governments, building up of the people's leaders in the rural areas; and responsibility for execution of a programme of work involving a large number of variable factors. The nature of the assignment is primarily entrepreneurial and in the present stage of development this role is likely to remain dynamic for another two decades at least.

The development work at the levels of the block and the sub-division affords effective opportunities, and a real testing ground, for the exercise of initiative, enterprise and other executive abilities as well as for the development of democratic attitudes of carrying out the administrative tasks with the active cooperation and participation of the people. It is accordingly important that the young bright elements in the development administration, as also in the junior state services, should find a way into the junior ranks of the higher administrative services by means of a restricted examination. The main object should be to enrich the higher administrative services of the country with 'better-tested' human material and broaden the base of recruitment to these services. The induction of the junior elements from the lower levels of the state services, and from the developmental administration, is essential for another reason too—for developing an emotional integrity and unity among the administrative personnel, of the country, as a whole.

The development administration provides an excellent base for the development of executive capacity. The emphasis in the training so far has been either on general basic subjects like law, the humanities, economics or on other departmental subjects like accounts, financial rules, etc. The time allotted to the new experimental fields of development is almost nominal. Contact with the work of a Village Level Worker or a Block Development Officer for a few weeks, as at present, for the trainees in some services, does not help to develop in them the capacity and attitudes of a competent executive who is later to become "the general manager of development" of a sub-division or a district. Therefore, it is essential that the direct recruits both for I.A.S. and the State Civil Services should be adequately tested at the Block level.

The main function of an executive development programme is to develop administrative ability over and above the professional,

vocational or technical proficiency. Administrative ability, in simple terms, means the capacity :\*

- to understand and direct the work of others,
- to accept responsibility,
- to exercise good judgment in making difficult decisions;  
and
- to give confidence to others in trying circumstances.

In addition to developing these essentially personal qualities and perfecting the skills that make them effective, the administrators need to understand the context in which they work, i.e.

the larger organisation of which their unit may be a part, and

its place in the Government and society as a whole.

They need to be able to :

dovetail the work of their organizations with that of other organizations as well as

to get good teamwork within their circle.

They need to learn the attitudes and habits of horizontal co-ordination."

The process of building up middle-level administrators has been rightly summed by Col. Urwick as follows :

"It is what men learn in the job and on the job that makes or mars them. Only by the progressive accumulation of a series of working experience of the right kind in the right order under the right kind of supervision, can the individual hope to attain the maturity of mind and personality necessary if he is to sustain major responsibilities".

It is generally conceded that the administrative personnel in India are not 'action-minded'. The role of administrative and even technical personnel in dynamic administration is becoming increasingly more and more managerial. It is not enough, therefore, that the civil servants should be enabled to secure experience in varied positions of responsibility. They

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\* U.S.A., Task Force report on Personnel and Civil Service (Commission on Organisation of the Executive Branch of the Government), 1955, pp. 67-68.

have to be built up as leaders for creating and maintaining a tradition of change—adequate to the needs of a planned, dynamic, social and economic development. It is, therefore, desirable that, at an appropriate stage, administrative personnel of all levels should learn and acquire experience in regard to practices of business administration. It might be emphasised that at least in four fields, i.e. building up personnel, evolving an organisational system which provides for strong central control side by side with operational freedom, measurement of performance and perspective planning, the public services have to learn a great deal from large-scale or giant-scale business administrations. Basically, such enterprises secured this lead under two types of pressures : (a) the fear of failure in competition, and (b) the challenge of growth. The administration of today is equally under both these pressures and its personnel have got, therefore, to be properly equipped to meet them successfully.

## VI

The above is obviously not a complete appraisal of the current recruitment and promotion policies. Among the many important matters which have been purposely left out are : the insistence upon the degree requirement for entry into the public services; the lowering of educational standards at the competitive examinations; lateral recruitment at higher age levels; horizontal mobility between the different hierarchical structures of various grades; the increasing importance of 'technical' services in the country's developing economy; the preservation of 'integrity' in the services, especially against the corroding political influences; the inadequacy of pay scales and allowances, etc. These matters are important enough, but they must be viewed within the broad context of the overall requirements of administrative personnel of all categories over the next 15 to 30 years; and unless the long range perspective is constantly kept in view, it would be difficult to solve effectively any of the personnel problems individually. And in planning on a long-term basis, one cannot afford to ignore the need for developing new skills and attitudes in administrative personnel in the face of the ultimate national goal of a democratic socialist society, nor the necessity of opening up promotion opportunities at *all* levels of the hierarchy and of imparting a sense of dynamism to the lower and middle levels of personnel. These are some of the important requirements for re-organising the present structure and staffing arrangements of the public services with a view to attaining a balance between the forces of continuity and change.

## ASSESSING CLERICAL MAN-POWER IN GOVERNMENT OFFICES

*A. C. Banerjee*

**T**HERE is a widespread belief among the lay public that Government offices are usually overstaffed. Intrinsically, however, the question of assessing clerical man-power in Government offices is a technical one, and external criticism on this matter is likely to be uninformed and, therefore, inaccurate. Some localised overstaffing may, from time to time, occur in most Government offices; but this is only natural in case of any big organisation and merely underlines the necessity for a continuing 'O & M' study to deal with such a frictional maladjustment.

The actual method of assessing clerical man-power in Government offices may vary from Government to Government and from time to time in India. The general tendency has been to try to lay down a uniform standard for this purpose, but actually it is very difficult to prescribe a fool-proof yardstick which would satisfy the requirements of all types of Government organisations for all times.

A rough and ready yardstick was suggested as early as 1938 by Mr. L.A. Chapman, I.C.S., who had been appointed as an Officer on Special Duty by the then Government of Bengal to examine the establishment of the Secretariat Departments of that province. Considering that a file might deal with a subject of complicated nature or of a simple and routine nature, he divided the files into two categories—'complicated' and 'non-complicated'. This yardstick was, however, not accepted by the Government of Bengal because the nature and the amount of work that went into a file was liable to vary widely. A file might be opened or closed on the same day, or might drag along for years; its life depended to a considerable extent on the individual preference of head of the office or a convention in a particular department. The proposed yardstick for assessing requirements of clerical staff based on a two-fold classification of files was obviously too unreal to be accepted.

An alternative attempt was, therefore, made to prescribe a yardstick based on the volume of 'correspondence' work, i. e. statistics of 'receipts' and 'issues'. For this purpose, the Government offices in the provinces were classified into several categories of descending importance, such as Departments (where policies are laid down),

Directorates, and Regional/District offices (where policies are executed). For Secretariat Departments, the present yardstick is 2,000 'receipts' and 'issues' per annum per dealing assistant, with separate provision for (i) head assistants, (ii) typists, and (iii) reference and routine assistants. The same yardstick is applicable in the case of clerks of 'Directorate' offices except that there is no separate provision for reference and routine clerks. Finally, for Regional/District offices, the present yardstick is 4,000 'receipts' and 'issues' per annum per dealing clerk, and separate provision is made for supervisory and typing staff, but no staff for reference or routine work is allowed.

At the Centre, a standard work-load for assistants, in terms of 'receipts' was first attempted in 1940 following the reorganisation of the ministerial establishment in the Secretariat Departments on the lines recommended in the Maxwell Report. The number of assistants in a 'noting' section was fixed at the rate of one assistant for every 1,000 'receipts' per annum. During the last world war, this number was increased to 1,300 'receipts' per annum for sections dealing primarily with 'war work' which involved less elaborate noting.

The standard was again revised in 1952. A yardstick of 1,500 'receipts' per annum was prescribed per dealing assistant; a figure of 1,250 'receipts' was, however, fixed in respect of sections dealing with financial and service matters like pay, pension, leave and other conditions of service.

## II

The statistical yardstick of 'receipts' and 'issues' has served well as a rough and ready working basis for determining staff requirements of clerical personnel; but the system is neither comprehensive enough nor fully scientific; it is hedged in by a number of serious limitations. This system has been recently given up by the Central Government, but it is still in operation in West Bengal. As a result of the extension of government activities to newer and wider fields after Independence, the nature of work to be done has undergone a radical change and differs from Ministry to Ministry and even from section to section within a Ministry much more widely now than ever before. The main drawbacks of the statistical yardstick of 'receipts' and 'issues' in the context of the changed circumstances are :

*Firstly*, the yardstick of 'receipts', though less variable than the one based on a two-fold classification of files, makes no allowance for

variations in the nature and complexity of work in different offices. It can, therefore, be valid and reliable mostly for repetitive and mechanical types of work; its application in other cases would be like prescribing one medicine for all patients of the different wards of a hospital without ascertaining their individual complaints.

*Secondly*, a yardstick based on only figures of 'receipts' and 'issues' is not comprehensive enough to cover all the types of work done in government offices. It leaves out many important items of work which are specially related to the working of a parliamentary democracy, such as meetings of committees and conferences, publicity, and statistical returns. Certain items of work in almost all offices are not by their very nature reflected in figures of 'receipts' and 'issues'. These include accounts and bill-work, scrutiny of applications, preparation of budget estimates, statistical compilation and survey, classification and cataloguing, etc.

*Thirdly*, a uniform yardstick rests on the presumption that all clerks have a uniform standard of efficiency and, therefore, their output should also conform to a common prescribed standard. The staff requirements could thus be covered in all departments simply by dividing the volume of work expressed in terms of correspondence figures by the accepted average speed of output. This presumption is, however, fallacious in that the speed of disposal of work depends mainly upon training and experience and both of these obviously vary from individual to individual.

In the *fourth* place, there is hardly any justification to prescribe different yardsticks in terms of correspondence figures for different types of Government offices. The present classification of Government offices—Secretariat departments, attached offices and subordinate offices in the case of Central Government; and Secretariat departments, 'Directorates' and Regional/District offices in States—is based on the presumption that the work in the lower offices is inferior to that in the immediate higher offices. Qualifications for recruitment of clerks to the three types of offices also sometimes vary on the presumption that clerks of lower calibre are required for attached offices or Regional/District offices than for departments and attached offices or Directorates, respectively. But as the statistical yardstick of 'receipts' and 'issues' is based on the concept that staff requirements can be measured simply by the volume of work divided by a common speed of output, how can we expect a greater speed of output from clerks of inferior qualification and lower scales of pay employed in the offices of lower categories?

In the *fifth* place, even within its limited sphere of application, the statistical yardstick of 'receipts' and 'issues' has to be applied with adequate safeguards with a view to avoiding computation mistakes, and inflation of 'receipts' or 'issues' figures by inclusion of communications of a routine or standardised nature.

*Finally*, the speed of output of work does not depend only on the nature of its contents and the degree of its complexity but also on the organizational structure, working procedures of the office or departments and the level of the morale of its staff. A yardstick based on correspondence figures may at best serve only as corroborative check on the results obtained by an O & M study on staffing of office or department.

Realising, that as conditions in different departments differed, the statistical yardstick could not invariably be taken as an absolute guide, and in actual practice *ad hoc* allowances had often to be made for various other considerations, the Central Government have come to hold a view that "except for certain repetitive and mechanical types of work such as diarising, typing, despatch, etc., it would be futile to make an attempt to work out a common yardstick for all Ministries, as any scale, which failed to take into account the nature of work and the circumstances under which such work was done in an individual Ministry or Section in a Ministry, would be far from realistic and would only lead to wrong conclusions". They have accordingly evolved a new method which primarily consists of a detailed examination of the work-load of an office or section. In the final determination of the strength, the Under Secretary (Establishment), the O & M Officer and the Attached Financial Adviser of the Department, all have a voice in the matter. 'The control measures introduced by the O & M Division, *e.g.* monthly statistical returns of receipts and disposals, weekly statement of Assistants' work, detailed scrutiny of arrear statements, and the periodical inspections, etc. now furnish a more reliable and objective data for computing staff requirements of individual sections'. The maintenance of *pro forma* dossiers for each Section, which gives full information about the state of work at any time, has been found very useful in assessing staff requirements.

### III

In the advanced countries of the West, in matters of determining staff requirements on a scientific basis, private enterprises have stolen a march over public administrations. A scientific and comprehensive system of assessing requirements of personnel is the one which is based

on 'work study'. Although 'work study' is specially applied in mechanical and engineering operations, it has also been found useful for measuring certain types of standardised clerical work. A yardstick evolved as a result of 'work study' is not only more scientific in that it takes into account all the relevant factors including improvements in work methods and procedures, but it also helps to harness the co-operation of both the supervisory personnel and the rank and file of workers as they can no longer complain that their case has been disposed of arbitrarily without a fuller examination. The 'work study' method enables the department or office to claim additional staff in right time; the department has not to wait for it until arrears of work have accumulated. The 'work study' system obviously is more suited for the administrative machine of a developing economy. The 'correspondence audit', on the other hand, looks back to the past, instead of anticipating needs of the future performance.

The application of techniques of 'work study' for determining clerical staff requirements is circumscribed by many factors, such as the structure and size of an organisation, the scale of operations, the nature, methods and procedures of work and the climate of human relations in the organisation. The 'work study' may accordingly be detailed or simple, depending upon the circumstances of a particular case. Again it may be carried out by one organisation, or its different aspects may be entrusted to different organisations. Its results may again be supplemented by other types of studies.

In the United Kingdom, the work of staff survey done by Staff Inspectors is generally closely allied to the work of Organisation & Methods Section of the Ministry concerned. Work measurement there is studied from the points of view of 'inspection of work', 'staff inspection' and 'work study'. Changes in organisation and office procedures invariably have their effect on the number and grading of staff. On the other hand, important economies in staff can be effected by improving the procedures. Most 'O & M' Reports contain some remarks about the number of staff; and the Staff Inspectors have often to say something about simplifying the clerical procedure. The two functions are, therefore, closely related and, to a certain extent, overlapping. In fact, staff inspection and O & M study come so close that they should collaborate in establishing standards that are not only thought to be correct, but, by reference to the work measurements already made, could be proved to be correct.

To an extent, yardsticks based on figures of correspondence partake the nature of 'work study' in that these are really based on a calculation of the approximate time required by a clerk of average ability

to dispose of a 'receipt' of a particular type. Thus, under the present yardstick applicable to the Secretariat Departments in West Bengal, an assistant is expected to deal with 5 receipts and 2.5 issues per day, with 260 working days in a year. Again, certain yardsticks based generally on the principles of 'work study' have actually been prescribed by the O & M Division of the West Bengal Government for items of work such as preparation of bills of pay, travelling allowance and contingency expenditure.

The Special Reorganisation Unit of the Ministry of Finance, which has been assigned the task of reviewing staff requirements of the Central Ministries and of recommending other measures considered necessary to secure efficiency and economy, has recently used 'work study' techniques successfully to determine standards of performance in the Income-tax Department and in the office of the Directorate-General of Supplies & Disposals. According to this Unit, the 'work study' comprises : (a) a study of the organisational set-up, delegations, span control of superior officers, etc; (b) analysis of methods of work; (c) a programme of work simplification and standardisation where possible; and (d) evolution of standards of performance and hence staff requirements. Both in the conduct of investigations and fixing of standards of performance, the active cooperation of all concerned has been sought so as to arrive at agreed conclusions. The work of a section is first analysed in detail by means of job description sheets and work analysis charts; the existing procedures and methods of work are then scrutinised thoroughly with a view to their improvement and a new standard of performance is suggested in the light of the proposed reforms in work methods and procedures. The new standards are 'timed' on the basis of the 'times' taken in the past performance, making due allowance for changes in work methods and procedures and for other factors like fatigue. The changes in 'time' are proposed after a thorough discussion with the employees and the supervisory staff. This method of timing new standards of performance has been called 'time synthesis' as the 'time' of a task is made up of the 'times' of the sub-tasks. The strength of the clerical staff is then determined on the basis of the standards of performance.

As the Special Reorganisation Unit gains further experience in the use of techniques of 'work study' to determine standards of performance, it is to be hoped that a series of more scientific and comprehensive yardsticks would be evolved for determining requirements of staff employed on the various types of clerical work. The use of these yardsticks would obviously help in avoiding both overstaffing and understaffing of offices and result in considerable savings. An incidental,

though in no way less important, result of the scientific assessment of staff requirements would be heightening of staff morale. Each of the Government employees would then know the load of work that he is expected to carry out and how. The creation of a more contented clerical force would not only enhance efficiency of work, but also improve the tone of public relations of the office.

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“Nothing challenges men so effectively to improve performance as a job that makes high demands on them. Nothing gives them more pride of workmanship and accomplishment. To focus on the minimum required is always to destroy people’s motivation. To focus on the best that can just be reached by constant effort and ability always builds motivation.”

—PETER F. DRUCKER  
(in *‘The Practice of Management’*)

## EDITORIAL NOTES

In the face of the plans of development, the Administration in India has not only to carry out national policies but also to appreciate the objectives underlying them and the need for their speedy execution. While administrative tasks in certain fields are getting more and more specialised, the need for the generalist-administrator to integrate and coordinate policies and practices remains paramount. In this context, the articles by two veteran administrators—Shri H.M. Patel and Shri D.L. Majumdar—, appearing in this issue, have a special significance.

Shri Krishna Swami's article : "Vigyan Bhawan—A Study in Administrative Organisation" also deserves special notice in that it illustrates how spectacular, speedy and effective results can be achieved even within the existing limitations in regard to departmental procedures and organisation.

The section on 'digest of reports' in this issue has been expanded. With the appointment of 'Correspondents' for the Institute in most of the State Capitals, we hope to publish in the future issues more detailed material on developments in States.

—Editor

# NEWS FROM INDIA AND ABROAD

## INDIAN

### *Re-organisation of Central Ministries*

Simultaneously with the formation of the new Central Cabinet on April 17 after the second general elections, the various Ministries of the Government of India were reorganised as follows : Two existing Ministries—the Ministry of Production and the Ministry of Natural Resources & Scientific Research—were abolished. A new Ministry of Steel, Mines & Fuel was set up; the sphere of the Ministry of Education was enlarged to cover also Scientific Research. The Ministries of Communications & Transport were combined into one, and so also the Ministries of Food & Agriculture. The Ministry of Labour was re-designated as the Ministry of Labour & Employment. The work relating to oil and petroleum products was transferred from the Ministry of Works, Housing & Supply to the new Ministry of Steel, Mines & Fuel.

### *Enquiry into the Working of Telegraph Service*

The Government of India has appointed a Telegraph Enquiry Committee with Shri Sudhir K. Kanjilal, Deputy Director General, P. & T. Department, as Chairman. The Committee will review the working of the telegraph service in India and make suitable recommendations to improve the efficiency. In addition to examining the technical aspects of the service, the Committee will also scrutinize and recommend necessary modifications in respect of (i) the standards for operative and non-operative staff including supervisory staff; (ii) existing cadres and their classification; (iii) avenues and methods of promotion for the various classes of officials employed in telegraph offices; (iv) training of personnel; (v) incentives; (vi) standards for accommodation and furniture; and (vii) standards for amenities, such as dormitories, canteens, etc. The last review was made by a committee appointed in 1932.

### *Central Emergency Relief Training Institute*

A Central Institute for providing training in the organisation and techniques of "emergency relief operations" was inaugurated in Nagpur on April 29 by Shri Y.B. Chavan, Chief Minister of Bombay. Organized by the Government of India, the Institute will run five different courses, viz. Emergency Relief Officers' Course; Rescue and Fire-Fighting Course; First Aid, Home Nursing and Public Health Course; Welfare Course; and Senior Officers' Seminar. The duration of each course will be about six weeks. It may be recalled that in December 1955, the Government of India announced its intention to set up a country-wide emergency organisation to render timely assistance to persons affected by natural calamities. A nucleus of the Emergency Relief Organisation has already been set up in the Home Ministry at the Centre and similar organisations are being set up in the States.

### *Jumping of Levels*

In order to avoid the passing of files through too many stages before reaching the decision-making level and to overcome the reluctance on the part of the lower officers to take responsibility, the Central O & M Division has recommended three alternative methods : (1) The work allotted to each Section should be allocated, by sub-headings, separately to the Under Secretary and the Deputy Secretary who will receive the files *direct* from the Section; (2) The Under Secretary should only send such files to Deputy Secretary as can be disposed of finally by the latter; other files which have to go higher up should be sent directly to the Joint Secretary or Secretary; and (3) Certain Sections should be placed in charge of Under Secretaries, and others directly under Deputy Secretaries. It is proposed to try out all the three methods in the Ministry of Home Affairs, on an experimental basis. The principle of level jumping, it is understood, has wholly or partly been adopted by the Ministries of Community Development, Finance (Expenditure), Natural Resources and Scientific Research, Iron and Steel, Law, Production and the Union Public Service Commission.

### *Research in Public Administration during Second-Plan Period*

The Research Programmes Committee (RPC) of the Planning Commission has selected the following three broad categories of subjects for sponsoring research in the field of Politics and Public Administration : (1) Machinery for planning and implementation; (2) Working of village agencies with special reference to public co-operation; and (3) Problems of public administration and parliamentary Control of public enterprises.

Research in these subjects will be undertaken at Indian Universities on the lines approved by the RPC which will also provide all the necessary finance.

### *A New Scheme of Management Studies*

The fifth meeting of the All-India Board of Management Studies was held at Calcutta on May 9-11, under the presidentship of Shri Jehangir J. Ghandy. The Board approved a new structure of management studies which would provide training in business, industrial and general management in two stages, intermediate and final. A minimum of two years' practical experience has been prescribed for completing the intermediate course and a minimum of three years' practical experience for the final course. The new structure is based on the concept that training for management is a *process* involving acquisition of both knowledge and practical work. The centres of management studies approved by the Board are the Indian Institute of Technology, Kharagpur; the All-India Institute of Social Welfare and Business Management, Calcutta; the Delhi School of Economics; the Bombay University and Victoria Jubilee Technical Institute, Bombay; Madras University; and the Indian Institute of Science, Bangalore. The Board appointed a four-man committee, consisting of Dr. A. Ramaswami Mudaliar, Prof. V.K.N. Menon, Mr. B.F. Goodchild, and Mr. H.N. Nanjuddiah to visit different centres and explore ways of developing the facilities for the adoption of the new scheme.

*Promotion Avenues for Class IV Railway Employees*

The Government of India has appointed a committee for reviewing the channels of promotion available to class IV staff of the Indian Railways both within that class and in respect of class III service. The Committee will have Shri G. D. Tapase, Labour leader of Bombay, as its chairman and Shri P. M. Narasimhan, Deputy Director, Establishment, Railway Board, as secretary.

*Training Courses for Employment Officers*

A three-month training course on vocational guidance and employment counselling, for Employment Officers drawn from various states, was inaugurated at New Delhi on April 5, by Shri Abid Ali, Union Deputy Minister for Labour. The course was organised under the vocational guidance and employment counselling scheme. This scheme, originally initiated by an I.L.O. expert, is intended to guide young boys, passing out of the school, in the choice of their occupations; to develop a counselling service for adult employment-seekers; and to develop aptitude tests and psychological techniques needed for rendering this service. Special sections to give advice on careers to young persons and employment counselling to adults will be set up at the selected Employment Exchanges during 1957-58. The Directorate of Resettlement and Employment has put out pamphlets indicating venues of employment in different trades.

Another three-week training course for Employment Officers was started at New Delhi on May 3. This is in fulfilment of the Central responsibilities for the training of Employment Officers.

*Higher Pay Scales for Insurance Employees*

The Life Insurance Corporation of India has effected a general upward revision in the pay scales and dearness allowances of its 21,000 clerical and lower grade employees. The new scales have been accepted by the workers' unions. The major changes in the rates are : (1) sixteen thousand clerical staff of the Corporation would get a new single grade starting from Rs. 75 and going up to Rs. 300. Supervisory staff would get a special pay which would be integrated with their basic salary. New entrants would, however, have a grade of Rs. 75 to Rs. 270; (2) the pay scales of Class V employees (lower grade) have been increased by Rs. 5 in addition to an upward revision of the ceilings; (3) dearness allowance has been increased by Rs. 5 for those drawing a basic salary of less than Rs. 51 per month. The allowance will remain the same for other employees; (4) record assistants will get a grade of Rs. 55 to Rs. 180; (5) a new higher assistants' cadre has been introduced with a pay scale of Rs. 140 to Rs. 410; (6) Drivers have been given a grade of Rs. 70 to 115; and (7) Liftmen, head peons and watchmen would get an additional pay of Rs. 5 over the class V grade.

*Life Insurance Policies for Low-Income Groups*

To serve the needs of persons of low-income groups, the Life Insurance Corporation of India has decided to issue endowment assurance policies with or without profits popularly known as "Janata policies". Each policy will be for a minimum of Rs. 250 and the maximum cover that

one can take under this type of insurance will be for Rs. 1,000. The term of the policy will be 10, 15, 20 or 25 years, subject however, to maturity-age or premium-ceasing-age not exceeding 60. There will be no medical examination in cases below the age of 35 years and the risk will be covered for the full amount from the outset. Female lives, not observing *purdah*, will also be covered on normal male rates.

### *Minimum Wages for 'Working Journalists'*

The Wage Board for Working Journalists, presided over by Shri H.V. Divatia, has given its award and the Government of India has accepted it with retrospective effect, i.e. from May 2, 1956—the date of the constitution of the Board. Minimum basic wages under the award range between Rs. 90 for a working journalist in a class "E" newspaper establishment to Rs. 1,000 for an editor in a class "A" newspaper establishment; and dearness allowance from Rs. 30 to Rs. 200 and is linked to the all-India cost of living index. The present decisions are to be reviewed by another Wage Board after a period of three years and not later than five years. Matters relating to conveyance, travelling, entertainment, overseas and other allowances have been left to be settled by the process of collective bargaining in view of "paucity of evidence on the subject". The Board's recommendations do not cover salary scales and grades of working journalists in fortnightly and monthlylies but the wages to be paid to them should not be less than those in weeklylies of their class.

### *Seniority Rights—Not Enforceable in a Court of Law*

The Madras High Court, in reference to a writ petition impugning a Government order which adversely affected the seniority of a Government servant, has declared "notwithstanding that the order adversely affected the interests of the petitioner, in that the seniority which he enjoyed in the years past before that date was seriously interfered with, and this was contrary to the rules, the same could not be relieved by this Court by the issue of a writ of certiorari". According to the judgment, the violation or infraction of a statutory rule would give rise to a cause for action only if the nature of the infringement brought it within the jurisdiction of the competent court of law. If the violation caused an injury to a right enforceable in a court, say, a right to property or a right to carry on business or trade, the established courts of law would be competent to afford relief.

### *Political Lobbying by Government Servants*

The Government of Madras has amended the Madras Government Servants' Conduct Rules to provide that "No Government servant shall bring or attempt to bring any political or other outside influence to bear upon any superior authority for furthering his own or any other person's interests". Heads of Departments have been requested to bring to the notice of their staff that any violation of the rule, as amended, will be viewed seriously by the Government. The punitive provision for contravention is withholding of promotion either permanently or for such period as the competent authority may determine.

*New Procedure for Re-employment of Government Servants after Superannuation*

The Government of Punjab has revised the procedure for the grant of extension in the service and for re-employment of retired Government servants. The new procedure requires that the 'case' should be submitted to the Chief Secretary three months before the date of the extension or re-employment; and that it should include particulars of age, a medical certificate of fitness, personal file, a statement of terms of re-employment, a copy of the seniority list, a statement of reasons why the officials attaining the age of superannuation previous to the one now proposed were not considered fit for re-employment, and a certificate that the proposed re-employment will not adversely affect the interests of other competent officers of comparable seniority in the department.

## FOREIGN

### 1. IRAN

*Governmental Affairs Institute to Assist in Management Improvement Programme for Iran*

By an agreement entered into between the Government of Iran and the United States Government (represented by the International Co-operation Administration), the Governmental Affairs Institute, Washington D.C., will provide technical assistance to the Plan Organization, the economic development agency of the Government of Iran, in improving its organizational structure and administrative processes. The project will be directed by a Senior Committee which includes Dr. Edward H. Litchfield (Chairman) and Dr. Luther Gulick, President of Governmental Affairs Institute and President of the Institute of Public Administration, New York City. A team of eight full-time project experts will work in Iran, under the direction of Mr. Wilson F. Harwood of the National Science Foundation. Mr. Harwood delivered a lecture at New Delhi on 'Organisation in Government' on the 16th April, 1956, under the auspices of the Indian Institute of Public Administration.

### 2. PAKISTAN

*Permanent Planning Board for Pakistan*

The Government of Pakistan has announced the establishment of a permanent Planning Board with the Prime Minister as the chairman. Its functions include the preparation of future five-year plans of economic and social development and generally to advise the Government on economic policies and problems which have a bearing on development plans. The board will have at least two members besides the chairman.

### 3. UNITED KINGDOM

*Increase in the Salaries of the Higher Civil Servants*

The British Government has decided to implement the recommendations recently made by the Standing Advisory Committee on the Pay of the Higher

Civil Service. These recommendations, effective from 1st April 1956, cover an increase of £100 in salaries between £1,850 and £2,850 ; and of £150 for salaries of £2,850 and above, subject to the limitations that no salaries increase as a result to more than £3,600. These increases in salaries of the Higher Civil Service were recommended by the Committee in view of an increase of 5½% having been already given in the salaries of the rest of the service. The latter had been necessitated by upward changes in rates of pay in comparable occupations outside the civil service.

#### 4. UNITED STATES

##### *Hoover Commissions' Recommendations Result in Savings*

The report of the Citizens Committee for the Hoover Report published on May 20, 1957, revealed that savings of the order of \$2,818 million have accrued from the recommendations of the two Hoover Commissions. These savings are from two broad sources, namely, (i) basic changes in the programmes, and elimination or curtailment of agencies and (ii) improved practices and efficiency.

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## INSTITUTE NEWS

### *Third Annual General Meeting*

The Third Annual Meeting of the General Body of the Institute was held on April 6, with *Shri Jawaharlal Nehru*, President of the Institute, in the chair. The meeting passed the annual accounts and adopted the annual report for the year 1956. *Shri Jawaharlal Nehru* was unanimously re-elected as President for the year 1957-58. The meeting was followed by an 'At Home'.

### *Election of Vice-Presidents*

Under the provisions of the Institute's Rules, the term of the following Vice-Presidents, elected in 1956, expired on the 31st March, 1957: (1) *Shri Govind Ballabh Pant*, (2) *Shri H. N. Kunzru*, and (3) *Shri C. D. Deshmukh*. The Executive Council has re-elected *Shri G. B. Pant*, and *Shri H. N. Kunzru*, and elected *Shri T. T. Krishnamachari*, as Vice-Presidents of the Institute for a period of two years. The other three Vice-Presidents for the next two years are *Shri Sri Ram*, *Dr. G. S. Mahajani* and *Shri Gurmukh Nihal Singh*.

### *Co-option to the Executive Council*

*Shri C. D. Deshmukh*, *Shri N. V. Gadgil*, *Shri G. L. Bansal* and *Shri L. P. Singh* have been co-opted to the Executive Council.

### *Conference on 'Recruitment and Training for Public Services'*

The deliberations of the Seminar on 'Recruitment and Training for Public Services', which was held on March 3 (reported in the last issue of the Journal), formed a subject of further discussion at the Annual Conference of the members of the Institute held on the 6th and 7th April. On the 6th, *Shri Govind Ballabh Pant*, Union Minister for Home Affairs, inaugurated the Conference. The session on the 6th was presided over by *Shri C. D. Deshmukh*, Chairman, University Grants Commission, and the meeting on the 7th by *Shri Gurmukh Nihal Singh*, Governor of Rajasthan.

### *Study Group on 'Morale in Public Services'*

A Study Group on 'Morale in Public Services' has been set up at the Headquarters of the Institute with *Prof. J. C. Ghosh*, Member, Planning Commission, as chairman. The first meeting was held on the 24th April.

### *Local Branches at Bangalore and Jaipur*

A local branch of the Institute was inaugurated at Bangalore by *Shri S. Nijalingappa*, Chief Minister of Mysore, on the 3rd April. A local branch has also been set up at Jaipur.

### *Lectures*

*Dr. Hugh Keenleyside*, Director-General of the Technical Assistance Administration of the United Nations, gave a talk on "Technical Assistance

in the field of Public Administration" on April 3. Shri D.L. Mazumdar, I.C.S., Secretary, Department of Company Law Administration, was in the chair. On May 1, Mr. J.A.C. Robertson, Director of Personnel, the United Nations, spoke on "Personnel Administration in the U.N." Shri S. Lall, I.C.S. (retd.), Chairman, Air Transport Council and formerly Assistant Secretary-General, U.N., presided.

### *Board of Management Studies*

The *Director* attended a meeting of the Board of Management Studies, of the All-India Council for Technical Education, the Institute having been given one of the four seats reserved on the Board for professional bodies. In course of the meeting, he was appointed a member of the four-man committee which will examine the development of the centres of Management Studies.

### *The 1957 I.I.A.S. Round Table, Opatija*

The 1957 "Round Table" of the International Institute of Administrative Services will be held at Opatija (Yugoslavia) from June 20-25. The subjects for discussion are : (a) Present trends in the transfer of power from greater authorities to lesser authorities separate from them and *vice-versa*; (b) Automation and the relevant programmes in public administrative agencies; and (c) Merit system as applied to the promotion of civil servants with special emphasis on rating. The Institute has decided to send a three-member delegation consisting of : Prof. V.K.N. Menon, Director; Shri S.B. Bapat, Honorary Treasurer, Editor, IJPA, and Joint Secretary, Ministry of Home Affairs, Government of India (if available); and Shri H. C. Mathur, Member of Parliament and a member of the Executive Council of the Institute.

### *Appointment of Correspondents*

The Institute has appointed 'Correspondents' in eleven States and the six Union Territories for collecting information on the latest developments in the field of public administration. These correspondents will also act as a liaison between the Institute and the State authorities.

## DIGEST OF REPORTS

**PUNJAB: LOCAL GOVERNMENT (URBAN) ENQUIRY COMMITTEE. REPORT.** *Chandigarh, Controller of Printing and Stationery, Punjab, 1957, 86p.*

This Committee was set up by the Government of Punjab in December 1954 with Shri Gurbachan Singh Bajwa, the then Minister for Local Government and Public Works Department, as the chairman. The terms of reference of the Committee were: to enquire into the operations of the existing laws, rules, etc., pertaining to Urban Local Bodies in the State and to recommend amendments thereto with a view to ensuring smooth working of local body administration, fostering of local initiative and enterprise, enlarging the financial autonomy of local bodies and enlisting peoples' voluntary co-operation, as also to consider questions relating to the establishment of a local government directorate. The report of the Committee submitted recently contains several recommendations directed towards making the municipal administration in Punjab, effective, efficient and dynamic. The important among these are as follows:

### (I) General

1. In urban areas, there is great need for setting up dynamic and virile units of Local Government which may be able to provide amenities calculated to promote the well-being of the people. Such arrangements are also a condition precedent to any successful implementation of development plans. The present unsatisfactory functioning of municipal institutions in the Punjab is not entirely due to the nature and quality of membership but, quite often, and, even more, due to the constitutional and structural defects and rather antiquated Government approach.

2. The work of the Local Government Department has been mostly negative. Its activities have been, apart from the routine work, mostly confined to entertaining complaints, considering questions of removal of members and supersession of Committees.

### (II) The State Local Government Department

1. The Local Government Department has no field agency to give the much needed guidance, except, of course, through the Deputy Commissioner. The Deputy Commissioner himself has very little time to play the role of constant adviser or even to help the local bodies in the formulation of their programmes and their implementation. To ensure successful implementation of developmental programmes and works undertaken by the committees, the Local Government Department should, in the absence of any separate agency of their own, constantly maintain liaison with and approach other departments. The inadequacy of the staff, absence of field agency and machinery for co-ordination all act as limitations on the Department's working. More than anything else, there is a necessity for an experienced

and expert agency, which should guide the affairs of local bodies, give them the much needed initiative and recognise the good work.

2. The duties of Department's representatives, and Government policy, should be more clearly defined to avoid existing anomalies and contradictions. The Government should also decide to what extent it will trust the local bodies and also to what extent its various Departments will utilize these agencies. Having taken firm decisions, the local bodies should be fully trusted, assisted and utilized.

3. In order to enable the Local Government Department to secure the co-ordination at the highest level and make the Departments pay adequate attention to the schemes of the local bodies, it is necessary, to set up a statutory State Government Co-ordination Board, with the Minister for Local Government as chairman and representatives of the various departments as members. Similar boards under the chairmanship of the Deputy Commissioner are necessary at the district level.

4. (i) There is an urgent need for the setting up of a Directorate of Local Bodies to direct, supervise and guide the activities of local bodies, both rural and urban. It should be headed by a Director of the rank of a Senior Deputy Commissioner, well versed in the affairs of the local bodies. There should be a Deputy Director at each Divisional level and a District adviser at the headquarters of each District in the State so that the Directorate can function effectively at all levels. In order to avoid concentration of work at the Directorate level, the Deputy Directors should be authorised to correspond directly with the Heads of Departments. (ii) The following duties are envisaged for the Directorate:—

- (a) To supervise generally all affairs of the local bodies and advise the government in the formulation of its policies and programmes relating thereto;
- (b) To ensure due observance of the provisions of municipal law and the statutory rules, orders, etc.;
- (c) To evolve model bye-laws on all subjects and supply standard plans and patterns to the local bodies; and
- (d) To pursue the schemes and development works initiated by the local bodies and removal of difficulties encountered by them.

It is further necessary to give the Director of Local Bodies adequate powers for performance of his functions. The Directorate should function more as an agency for assisting and guiding the affairs of the local bodies. As regards the question of integrating the Local Government Directorate with the Director of Panchayats, some definite advantages in combining the two allied fields of activities at the Director's level but it may not be conducive to any better results. The hands of Director of Panchayats are already full and the activities of this Department will expand rapidly with the ever quickening tempo of the Panchayat Raj. Such integration will not, therefore, be a practical proposition.

5. (i) The local bodies cannot individually afford to engage costly technical staff, much less own the equipment necessary for execution of their works. Wherever the works have been entrusted to Government Departments, in spite of heavy departmental charges paid by local bodies, the preference has always been given to departmental works. There is hardly any agency to review the progress of municipal works imparting to them a sense of urgency. (ii) A Technical Organisation to plan and execute municipal works, such as the one which existed in the former Hyderabad State, is not only desirable but a stark necessity. To enable the organisation to function effectively, the Government should provide initial subsidy on a non-recurring basis for purchase of equipment, transport, tools and plant ; but when once it gets going it should entirely depend upon the contributions from local bodies and other agencies merged into it. (iii) The organisation could be made more useful if it could also embrace the 'works' activities of the District Boards, Panchayats, Market Committees and also of National Extension Service Schemes.

### **(III) The Functions and Structure of the Local Bodies**

1. (i) The Union, the State and Local Government bodies must be visualized as a single organic hierarchy of authorities functioning at the local, state and national levels and operating in well defined spheres. At present there is a great deal of over-lapping in the functioning of the state and local, bodies in almost all spheres of activity. In the fields of education, public health, public works, roads etc., the segments of activity of the State and the Municipal Councils should be clearly demarcated in order to avoid over-lapping, involving functioning at cross purposes and giving rise to wasteful expenditure and unplanned development in these fields. The detailed demarcation of functions between the Municipal Councils and the State Government should be finalized after obtaining the views of the relevant Departments.

(ii) As the present law does not give a full and distinct picture, it is most desirable that the sectors of obligatory and non-obligatory functions of municipal bodies should be specifically defined in the Municipal law.

(iii) One of the major activities and responsibilities of Urban local bodies is to ensure environmental hygiene. It is, therefore, very necessary that the Department of Local Government should have very close liaison with the Health Department. It is also desirable and necessary to have a complete Health Service as envisaged under the Model Health Act though it may not be necessary for the State Government to assume direct control to the extent recommended. For administrative purposes the Health Officer, even though appointed by Government, should be under the control of the Chief Officer as is the case with the municipal bodies in Madras.

(iv) All Municipal Committees should be completely relieved of the responsibility of running secondary and high schools. The economic capacity of Municipal Committees being limited, they should be required to restrict their educational activity to primary education. It is a retrograde step to ask the Municipal Bodies to delegate powers of appointment etc.,

of teachers to the Inspectorate of Schools when it is open to the Education Department to prescribe the qualifications and pay-scales of the teachers. As in Madras, the administrative control over teachers and educational institutions may vest in the Chief Officer ; the officers of the Education Department should confine themselves to the inspection of schools.

2. The problem of municipal areas with smaller populations and consequent limited resources are not identical with those more fortunately situated. All municipal areas with a population from 10 to 20 thousand should be treated as Town Councils. The larger bodies may be called City Councils while Municipalities like Amritsar with income exceeding Rs. 50 lakhs should be upgraded to be Corporations. Local bodies should be further classified as follows :—

<i>Corporations</i>		Income exceeding Rs. 50,00,000
	{ Class A	Income over Rs. 15,00,000 to Rs. 50,00,000
<i>Councils</i>	{ Class B	Income over Rs. 5,00,000 to Rs. 15,00,000
	{ Class C	Income over Rs. 2,00,000 to Rs. 5,00,000
	{ Class D	Income below Rs. 2,00,000

Each class should have uniform scales of pay and qualifications for its employees and as far as possible should maintain defined basic standards of service and civic amenities.

3. The main weakness of the office of the President to-day is that existing arrangements give him executive authority only so long as he has a majority vote behind him. The result is that the office of the President has become a pawn in the game of group factions and party intrigues. As to the three alternative institutional arrangements suggested to overcome shortcomings: (i) Direct election of the President will not be conducive to smooth and harmonious working of the municipal government. It is likely to create deadlocks between the President and the members; (ii) The introduction of a Cabinet System in the local bodies, under these circumstances, is beset with serious administrative and political difficulties and does not seem to offer any particular advantage; and (iii) The establishment of Standing Committee of the Municipal Council, the members of which are elected from among the members of the Municipal Council, is beset with all the disadvantages of the plural executive. Unless the Councils are only left with deliberative functions and confine themselves to principles and policy, there is a danger of two parallel bodies functioning side by side. On the whole, Standing Committee should be preferred to a Cabinet System, as our local representatives are not mature enough to handle departmental affairs independently and efficiently. This experiment may be tried in Class 'A' Municipal Committees only where the main bodies are not able to exercise effective supervision over the work of its executive functionary. The arrangements would not suit other local bodies.

4. The procedure governing the removal of the President should be made more rigid, while the present system of removal by a 2/3rds vote should continue. The motion for his removal should be signed by at least 1/3rd of the membership of the council, and it should be required to be first

presented to the Directorate with a copy to the President and if the Directorate after obtaining the comments of the President thereon is satisfied that the removal is urged not on personal reasons and *mala fide* intentions, the motion should be allowed to be admitted in which case the motion as well as the comments of the President shall be placed before a specially convened meeting of the Council.

5. There should be no scope for formation of political parties in the municipal affairs; but if there have to be parties, they should be properly organised on the basis of programmes and policies rather than individuals creating group factions and personal intrigues. The evils of the present system in all categories of local bodies can be minimised, if not altogether eliminated, by restricting the functions and interests of the members including the President to complete policy control, full and overall financial control; and executive control through supervision.

6. Widest authority should be vested in the Municipal Councils and the Government control reduced to the minimum necessary only to be exercised in emergencies and in certain other specified contingencies. Along with it, it appears necessary to give the municipal institutions a strong executive which will be amenable to popular control and can function uninterfered with, guided by considerations of civic good rather than individual gain or party considerations. Here, the pattern of the executive functioning in the municipal bodies as organised in the State of Madras has a good deal to commend itself. The Madras pattern is largely based on the system of Council-Manager system of U.S., with some marked features of the Clerk of County Council of England. As in Madras, therefore, it should be possible for the State local bodies to engage the services of a Chief Officer, drawn from the State Cadre but at the same time working as its employee amenable to popular control. This officer, who is known as Municipal Commissioner in Madras, should have a defined field within which he can function uninterfered with so long as he functions within the four corners of policy laid down and funds voted. The Chief Officer should be removable and liable to suspension by 2/3rd majority of the Municipal Council. He should be liable to surcharge as other municipal employees for defalcations and lax executive control. The members of the Council should have powers of asking questions and interpellations in regard to the action of the Chief Officer.

7. There will be no need to retain the present Punjab Municipal (Executive Officer) Act, which may be repealed. The provision for the institution of the Chief Officer should form an integral part of the new Municipal Act.

8. Adequate delegation of powers will be a great factor in eliminating delays and red-tapism and toning up the efficiency of the internal administrative machine. The guiding principle should be that ordinarily the powers delegated to and exercised by a Municipal Head of an institution or section is not less than similar powers given to an officer of the Government of equal rank.

9. Greater autonomy should be given to local institutions, providing at the same time for certain institutional arrangements which will enable them to discharge the responsibility which goes with greater autonomy. The assumption is that it is only when freedom and initiative are

permitted that the necessary experience will develop and a sense of responsibility will grow. Nevertheless, some degree of overall control, which should more and more take the form of information, guidance and advice should also be laid down,

10. The Committee is divided in its opinion on the retention of the Deputy Commissioner in the hierarchy of controlling authorities. The Commissioner being the Head of the Division, for overall purposes of co-ordination, it would be desirable if he exercises along with the Directorate an overall supervision over the affairs of the local bodies. It is not only desirable but also necessary that whenever possible and whenever he is on tour he should inspect the local bodies and record his observations for the guidance of the district authorities and the local bodies concerned.

11. (i) It is necessary to set up a Local Self-Government Institute on the lines of the Local Government Institute, Bombay. Alternatively Government may set up a Local Government Training School with adequate provision for theoretical and practical training and refresher courses. An institution of this kind could also serve the needs of rural local institutions. By maintaining a close liaison with the Directorate of Local Bodies, the Institution could serve as a laboratory of ideas for the problems of local bodies. (ii) The setting up of a Central Association of Local Bodies will provide the State Government with the much-needed constructive criticism and act as a forum for exchange of ideas between the representatives of local bodies and the Government. Such an organisation already exists in most other States in India and also in other countries.

#### **(IV) The Municipal Public Services**

1. Self-Government must mean good and efficient Government for the people. One of the major problems of Local Government is to ensure that while the services are fully protected against personal motives and vagaries of pressure groups within the municipal frame-work and are assured of reasonable security and service prospects they are of the right calibre and are amenable to popular control.

2. A comprehensive Code on the lines of the C.S.R. (Pb.) should be drawn up and applied to all classes of municipal employees. Municipal employees should enjoy the same security as is enjoyed by Government servants and for this purpose, before any disciplinary action involving reduction in rank or removal is taken against a municipal employee, he should be given adequate opportunity to tender an explanation in his defence. There should be a provision for appeal to the Directorate in consultation with the Local Bodies Services Commission. Model scales of pay for various classes of local bodies' employees should be prescribed for adoption by Municipal Councils. Essential qualifications should be laid down for all categories of municipal officers and servants.

3. (i) The recruitment to all other posts, excepting that of Chief Officer, with a salary above Rs. 60 per mensem but below Rs. 150 per mensem should be made by an appointment committee, and that all appointments carrying a salary up to Rs. 60 should be made by the Chief Officer of the Municipal Council.

(ii) The work which has been entrusted to the Public Service Commission is already too much and in order to afford satisfaction to the municipal and rural bodies and also to ensure that the posts are speedily filled, it is necessary to set up a separate Local Body Services Commission.

4. The Punjab Civil Services Rules, with suitable modification, should apply to all municipal services. The services will be further saved from interference by the members by a clear demarcation of the executive and deliberative functions and for all practical purposes all the municipal services should be subordinate to Chief Officer with right to appeal to the local body and to the Directorate.

5. The existing municipal employees could be sent to the Institute of Local Government for short-term courses, and for future recruitment, a distinct preference should be given to the diploma holders of the Institute. It will further promote the efficiency of the services if the local bodies' employees were sent for an in-service refresher course at least once in every five years.

#### **(V) Finance and Taxation**

1. (a) The Committee support the recommendations of the Taxation Enquiry Committee concerning the reservation of certain taxes solely for local bodies, and the devolution of powers of taxation to local bodies. The only Government control necessary in regard to power of taxation should be restricted to insistence on Government approval for reduction or abolition of taxes. The powers of the State Government to require a Municipal Committee to levy enhanced taxation in the default of the Council should, however, be continued.

2. The budgetary procedure needs a drastic revision to be simplified. The Municipal Committee itself should be competent to accord sanction, subject to certain conditions, namely, maintenance of minimum cash balance provision for debt charges etc.

3. The budget documents should be split up into two parts, the first containing expenditure in relation to ordinary items. This would represent the ordinary recurring and non-recurring expenditure on staff and maintenance of institutions. The second part of the budget should deal with new expenditure and long term projects.

4. The powers to accord administrative approval should vest in the Municipal Council, but in its resolution according the administrative approval, the fact regarding the availability of funds, assessed by the Technical Organisation for the execution of works, should be specifically stated, as also the annual maintenance cost and funds earmarked or available therefor.

5. The statutory obligation to obtain financial sanction from the Deputy Commissioner and higher authorities in respect of various categories of expenditure places a severe restriction on the financial autonomy of Municipal authorities and is incompatible with the principles of widest autonomy for the self-governing institutions.

6. (i) The implementation of the recommendations of the Local Finance Enquiry Committee and the Taxation Enquiry Commission on Local Finance would go a long way towards improving the viability of local bodies, thus enabling them to play their role in the development of the country and the regeneration of civic communities.

(ii) The Committee support the proposal of the Commission to transfer property tax on urban immovable properties to local bodies as also regarding the levy of tax on professions by municipalities and corporations.

(iii) (a) The State Government should not take over public utility services, except as a last resort, or for compelling reasons. (b) Larger Municipalities and Corporations should take up the public utility services like, transport organisations, distribution of gas and electricity, etc. (c) The Local Bodies should also be encouraged to expand their income by building and running market shops, selling of manures, running flour mills and even by taking to supply activities as would normally be done by Co-operative Societies.

(iv) The State Government should be prepared to give guarantee for the loans floated by grade 'A' Councils. For small Committees, the State Government should provide enough funds as loans for productive schemes, and loans as well as subsidy for essential services.

7. The place of local bodies in the implementation of the local development schemes should be specifically determined and portion of funds earmarked for particular schemes which can be undertaken through the agency of municipal bodies.

8. (a) The taxes assessed are not collected according to the demand and very heavy arrears are outstanding almost in every local body, particularly in regard to taxes recoverable from Government officials. (b) The State Government should be specifically empowered by legislation to order recovery of such taxes on demand from the source at which the salary of the official is paid.

## (VI) People's Cooperation

1. Even in the running and maintenance of institutions set up by local bodies, no consultatory or advisory bodies have been provided, with the result that the public grievances and criticism hardly ever come to light, and if they do, they are hardly ever considered and heeded by municipal administration.

2. For ensuring that the municipal institutions are run properly, it will be useful if for each institution there is an *ad hoc* Advisory Committee, comprising Municipal officials serving on the institution and interested non-officials so that the public is afforded an opportunity to contribute to the successful working of municipal administration.

3. Fruitful community participation in the local affairs postulates responsible and creative citizenship. It is, therefore, necessary for Government and the local bodies to adopt effective measures for educating the citizens in the art of citizenship and reducing the prevailing apathy and inertia of the people towards the operations of their local affairs through the agency

of elected representative bodies. The measures for that purpose should include teaching of civics, contacts with the local representatives of the press, organisation of "Civic Weeks", and periodical lectures, the publication of annual reports and a Local Government Journal as a cooperative enterprise by the Councils.

**ESTIMATES COMMITTEE. 54th Report [Ministry of Defence—Ordnance Factories (Organisation and Finance)].** *New Delhi, Lok Sabha Secretariat, 1957. iv, 75 p.*

The main recommendations of the Committee briefly are as follows:

## I. Organisational Matters

### (a) Form of Organisation

1. All industries in the Public Sector, whether defence or civil should be run as industries are intended to be run anywhere in the world, *i.e.* not under the departmental system of management but under the Company system of management. The question of bringing the organisation of Ordnance Factories under a Company system of management or under a corporation to be set up by an act of Parliament needs to be reviewed, and examined afresh by Government. An alternative to the Company system of management, would be the adoption of the organisational set-up of Railways in the Ordnance Factories and the setting up of a statutory and autonomous Board analogous to the Railway Board for the administration of Ordnance Factories in an efficient manner and on business principles. The Board should be directly responsible to the Defence Minister, who might retain certain reserve powers so as to ensure effective control over it. Even if it is not possible to constitute the Ordnance Factories producing warlike stores into the Company system of management, it would still be worthwhile and advantageous to consider the feasibility of handing over the Ordnance Factories producing non-war-like stores to the Production Ministry for being managed under the Company system so as to facilitate the enlargement of their functions for the production of a larger variety of stores. It would be an additional advantage if the Defence Ministry which was probably overburdened could be relieved of the responsibility of managing industries which are not of a strictly security nature as it would enable that Ministry to concentrate on Defence matters which are of vital importance to the defence of the country. This question should therefore be examined seriously and expeditiously.

2. Irrespective of whether the Government agree to have the Company system of management for the Ordnance Factories or a statutory and autonomous Defence Production Board, the Board of Directors in the first case, and the Defence Production Board in the other, should be a compact body consisting of those who will be usefully and directly connected with the organisation and the working of the Ordnance Factories, *e.g.* Controller General, Defence Production, Director General, Ordnance Factories, Financial Adviser etc. and two or three private industrialists.

3. A few prominent industrialists should be associated with the Defence Production Board. The Chairman of the Defence Production Board should be drawn from the category of private industrialists. The

Defence Production Board should approach the tasks facing it, keeping in view the dictum that "before effective action is achieved, it must be decided what is to be done, how it is to be done, and who is going to see that it is done".

*(b) Advisory Committees*

1. A revolutionary change in the attitude of complacency on the part of the Defence Ministry in the important matter of Defence Production is called for. It should be possible to secure for this purpose, the whole-hearted co-operation of the Indian industrialists (and also of the production units in the Public Sector) by working the Defence Production Advisory Committee more effectively.

2. The existing arrangement under which the private industrialists are to be associated with the Defence Production Advisory Committee only as and when necessary, and not on a permanent and regular basis, should be altered so as to provide for their association on a regular basis. The Advisory Committee may be assisted by a number of Sub-Committees each dealing with specific allied problems relating to defence production, with the industrialists and other civil production units, directly concerned with the subjects represented on it. To make the Defence Production and Supply Committee effective, industrialists should also be actively associated with it. Once this is done, the question of merging this Committee and the Defence Production Advisory Committee so as to avoid unnecessary duplication of Committees should also be considered.

*(c) Work Methods and Quality Control*

1. It should be possible for the Controller General, Defence Production, to pursue vigorously his activities for ensuring co-ordination among different authorities and for keeping the defence production at the optimum level by cutting down red tape and paper work so as to keep the country fully prepared for all emergencies. It should also be his constant endeavour to streamline and rationalise the organisation for defence production in general and of the Ordnance Factories in particular.

2. The Organisation for Quality Control at the Office of the D.G.O.F. should be examined to determine whether it would be necessary to have more officers and staff not only in the Headquarters but also in the Ordnance Factories themselves. The feasibility of entrusting the function of interpreting vital statistics revealed by cost accounts data, so as to enable initiation of action to improve efficiency, to the Statistical Quality Control Branch, may also be examined.

3. The question of opening an 'Organisation and Methods Division' in the offices of the Controller General of Defence Production and D.G.O.F. to constantly examine the question of staff strength, increase in paper work *etc.*, should also be considered. Instead of the casual inspection carried out at present there should be a system of regular inspection of Ordnance Factories by a Central Team headed by a senior officer for the purpose of carrying out a detailed examination of the various production activities and staff problems of Factories, of the extent of implementation of the various instructions of the D.G.O.F. *etc.*, with particular reference to the detection by an on-the-spot study of uneconomical and wasteful methods of production, employment of excessive staff *etc.*

*(d) Delegation of Powers*

1. Though the D.G.O.F.'s powers were greatly enhanced in recent years, yet in view of the great responsibilities carried out by the D.G.O.F. and the industrial character of the Ordnance Factories, the question of further delegation of powers to the D.G.O.F. consistent with his responsibilities should be examined afresh at the highest level in the light of the present-day conditions.

2. To avoid concentration of authority in a single individual and for the management of day-to-day affairs of the Ordnance Factories, it would be of great advantage if an Executive Board is set up with the D.G.O.F. as its Chairman, and consisting of the Deputy Directors General, one or two Assistant Directors General, Deputy Financial Adviser (Factories) and the Controlier of Defence Accounts (Factories) as its members. In addition, while discussing problems of particular regions or Ordnance Factories, the Board should co-opt one or two Superintendents of the local factories to ensure prompt disposal of business. It should also maintain minutes of meetings, meet regularly at least once a week or fortnight and have definite rules of procedure.

3. The powers of the Superintendents of Ordnance Factories should be reviewed so that they might have in all matters authority consistent with their responsibility. It should also be watched centrally by the D.G.O.F. that these powers are properly and sufficiently used. The powers of the Superintendent should be exercised in consultation with a Factory Board to be set up consisting of himself, Works Managers, one or two AWMs, the Factory Accounts Officer and where necessary the Labour Officer, to advise the Superintendent in the day-to-day working of the Factory, with rules similar to those recommended for the Executive Board of the D.G.O.F.

**II. Financial Matters***(a) Financial Advice*

The arrangement obtaining on the Railways, under which the Financial Commissioner, Railways, functions as a member of the autonomous Railway Board but with certain reserve powers and under which his representatives at lower levels work under the General Managers but also with reserve powers, may be adopted with advantage in the case of all Ministries dealing with industrial projects and commercial matters and in the Ministry of Finance (Defence) in so far as Defence production is concerned.

*(b) Accounts Organisation*

1. While the accounts of Defence expenditure were separated from audit about 30 years back, they were placed under the Ministry of Finance (Defence) and not under the Administrative Ministry. It should be possible to rectify this state of affairs at an early date.

2. The association of Accounts Officers with the management through membership of Factory/Executive Board at the Factory and the D.G.O.F.'s level respectively would go a long way in inducing among them a feeling that they are equally responsible for management and execution of important defence work and also in bringing about harmonious relation between the executive and the accounts officers,

(c) *Mechanism of Financial Control*

1. The details, under which the estimates for expenditure on Ordnance Factories are at present asked for, do not indicate sufficiently the break-up of the expenditure under the various heads. Such a breakdown should be available in regard to pay of various categories of staff, expenditure on allowances, training schemes, inspection staff, repairs and maintenance, welfare activities and miscellaneous operating expenses as fuel, oil, etc. On the receipt side, the value of work done for various departments may also be shown.

2. The expenditure on the organisation of the Controller of Defence Accounts (Fys) has not shown any decrease in spite of the falling work-load in the Ordnance Factories over the last few years and that no comparative study of the accounting staff in the various Ordnance Factories *inter se* as well as with that obtaining in other State industrial undertakings and factories in the Private Sector has ever been undertaken. Such a comparison would be useful in determining the standard strength of the staff in this respect, as also their duties.

3. The Committee generally endorse the remarks of the Public Accounts Committee, contained in paras 9 and 10 of their 19th Report, that effective action should be taken by the Ministry of Finance (Defence) to evolve a better mechanism of budgetary control.

4. In the interest of efficiency and economic functioning of not only the Ordnance Factories but all other undertakings in the Public Sector, the system of correlating actual expenditure with performance and of managerial control should be introduced. With an improved and modern cost-accounts system it should be possible to enforce such a control.

5. (i) The existing system of cost accounting, which is only a historical collection of facts long after the event, is hardly satisfactory, particularly in a monopolistic industry, the economy and efficiency of which are of vital concern to the country. In spite of the criticism of the Baldev Singh Committee, made over 2 years back, about the cost accounting system in the Ordnance Factories, which was characterised as out-moded and unsatisfactory, the system continues unchanged as before. Immediate steps should be initiated by the Financial Adviser to secure the reform. (ii) The entire cost accounting system at present followed in the Ordnance Factories should be comprehensively examined by experts, *e.g.* the Cost Accounts Branch of the Ministry of Finance, and the modern cost accounting system, as obtaining in advanced countries, may be adopted and introduced without any further delay. (iii) As a further step in the process of establishing complete control over all factors, which are subject to the influence of management, the introduction of the system of standard costing, under which standard costs or predetermined costs are prepared in advance of operations according to a carefully planned method of making a product or rendering a service and serve the purpose of cost analysis and cost control, is also necessary. (iv) The D.G.O.F. and the Superintendents of Factories should each have a cell working under him to interpret to him the various statistics furnished by the Cost Accounts Branch, so as to enable him to initiate necessary action for the purpose of controlling costs and of improving the efficiency.

6. The existing arrangement, under which cost accounting and the staff therefor are not the responsibility of the D.G.O.F. and the Superintendents of Ordnance Factories, is not satisfactory. It is necessary that there should be perfect co-ordination between the factory management and the cost accounting organisation in regard to the various types of cost data required by them within reasonable time of the completion of the particular job.

**ESTIMATES COMMITTEE. 55th Report [Ministry of Defence—Ordnance Factories (Staff Matters and Training)]** *New Delhi, Lok Sabha Secretariat, 1957, iv, 75p.*

The main recommendations of the Committee briefly are as follows:

### *I. Recruitment Policies and Procedure*

1. Special steps should be taken to fill the shortages of senior officers by means of special recruitment in various age-groups so as to attract the experienced persons from private industry also.

2. The pay scales for equally qualified men offered by certain undertakings set up in the public sector were very high as compared to those prevailing in the Ordnance Factories and as such there were a large number of resignations from Ordnance Factories. Immediate steps should be taken to examine the whole pay structure of comparable posts in all Government undertakings and to bring uniformity therein as far as possible.

3. Service in the Ordnance Factories is not attractive due to the slow rate of promotion as compared to the Government departments and the absence of pension scheme in this organisation. The question should be tackled at a very high level and the Cabinet itself should give a policy decision in this matter, so that a certain amount of equality of opportunity and prospects exists in all the Ministries and industries in the country. Armed with this policy decision the Home Ministry should ensure its implementation by all concerned.

4. The absence of precise rules to determine the eligibility of employees of Ordnance Factories for selection to the Apprentice Training Scheme against the quota of 20% to be filled by the Director General, Ordnance Factories (D.G.O.F.) is not conducive to the creation of confidence among the employees as well as the public outside. Specific rules for this purpose should be laid down and publicised among the staff and the departmental candidates should be selected by a prescribed procedure.

5. Psychological tests should be included in the examination for selection to the Apprentice Training Scheme for the purpose of finding the aptitude of the candidates for these jobs.

6. Papers for Apprenticeship and Artisan Training Schemes are set centrally but examined locally. The valuation of papers should be undertaken on a central basis.

7. The D.G.O.F. is authorised at present to sanction the creation of temporary posts (except Gazetted posts) up to a period of two years and also recruit non-Gazetted and non-industrial staff. The Superintendents of Factories can recruit class IV and industrial staff only. In an industrial

concern an executive head is in a better position to decide his requirements of industrial personnel in relation to the work-loads. The feasibility of granting more powers to the Superintendents of Ordnance Factories commensurate with their status, to be exercised in consultation with the Factory Board, should be considered. The feasibility of making the recruitment of certain categories of non-gazetted and non-industrial posts on a regional basis and of delegating authority to regional boards to be set up for the purpose may also be examined. Similarly transfers among these categories apart from those on voluntary basis or on disciplinary grounds, may also be made on some regional basis.

## *II. The Size of Labour Force and Rewards*

1. The existing procedure of calculating direct labour requirements in Ordnance Factories allows ample scope for a loose and liberal computation thereof. Further, even the checks laid down to control indirect labour do not seem to be effective since the ratio of expenditure on indirect labour charges to direct labour charges has been consistently rising during the last six years. The reasons for the sudden rise in the percentage ratio of indirect labour to direct labour in the Ordnance Factories should be examined and proper steps taken to streamline and rationalise the indirect labour strength in the Ordnance Factories.

2. The staff in the Ordnance Factories is definitely on the high side and early steps should be taken to determine on a scientific basis the norms and workloads for the various categories of staff in the Ordnance Factories, and to fix their strength on that basis. A comparative study should be undertaken of the strength of various categories of staff in the industrial establishments in the civil sector, both public and private. While it may be necessary to retain certain surplus staff in order to retain specialised skill for stepping up production in emergencies, some measures should be devised to segregate idle staff and labour from others in the Ordnance Factories.

3. The clerical strength had been increasing in recent years. One of the reasons for this was increase in paper work in these factories in recent years due to hundreds of returns being asked for by various authorities. Practical steps should be constantly devised and introduced to keep paper work and red tape to the minimum.

4. A hierarchy of supervisory staff is not always conducive to efficiency or productivity of labour. The question of rationalising the number of grades of staff working in the Ordnance Factories may be examined expeditiously, as also the feasibility of introducing a Class II gazetted service in the Ordnance Factories.

5. The expenditure on pay and allowances of staff has been rising continuously since the year 1951-52 even though the value of production has fallen. Every possible step should be taken to improve the output and productivity of staff.

6. The overtime bonus being paid to the industrial staff in the Ordnance Factories is on the high side and should be minimised by careful planning in placing extracts on Ordnance Factories and in training of workers in a variety of jobs so that they could be employed in other shops during emergencies.

7. Only about 45% of the total labour strength and 75% of the direct labour strength in the Ordnance Factories is governed by the piece-work rate system of payment, i.e. payment by results. The system should be extended as far as possible to all the direct labour strength in the Factories as it provides the necessary incentive to the industrial staff to improve the production as well as their earnings. The feasibility of extending this system of payment to other categories of staff may also be considered. In the Chittaranjan Locomotive Works it has been found possible to increase the output of labour under a Labour Incentive Scheme. A comparative study of the system prevailing there may be undertaken to see in what way the method can be improved to make it scientific and modern.

8. The prize bonus scheme at present in vogue should be given wide publicity among the employees so as to derive the best results. Other steps such as active association of labour with works and production committees, more congenial surroundings and atmosphere of work, educating the labour for fostering discipline, loyalty, etc., should be taken to increase the output of labour, both industrial and non-industrial.

9. To lessen the incidence of absenteeism in the Ordnance Factories, the authorities should examine the possibility of introducing the system of high attendance rewards.

10. The Works Committees in Ordnance Factories have not been as effective and comprehensive in their working as they were intended to be. A reorientation of attitude towards the employees is called for, whereby they should be made to realise that they are partners in the national development and production programmes.

### *III. Staff Welfare*

1. The industrial and non-industrial staff, especially in the low-paid categories, should be provided with residential accommodation on a larger scale than at present particularly because alternative accommodation within a reasonable distance from the Factories is not available.

2. Necessary measures should be taken to ensure adequate educational facilities for the children of the employees of Ordnance Factories at all places and this work should not be left entirely to the State Governments.

3. Steps may be taken to establish co-operative societies in the Ordnance Factories to impart training in handicrafts to workers and their families in their spare time.

4. With a view to stimulating interest in the employees in their affairs, the management of the Labour Welfare Fund should be entrusted entirely to the representatives of workmen.

### *IV. Training*

1. A few trainees from the Artisan Training School have been transferred or earmarked for certain Government undertakings other than the Ordnance Factories. The persons were given to other industries at the cost of equally pressing needs of the Ordnance Factories which are equally short of trained personnel. At present every big industry either sets up its own school to train the technical personnel required by it or prefers to get

trained men on a small scale from a neighbouring training institution. Such compartmental approach is very unsatisfactory. The All India Council for Technical Education, in association with other interested Ministries and private industries, should conduct a thorough survey of the existing facilities for technical training in the country and draw up a coordinated plan to meet the present and future requirements of technical personnel.

2. The question of centralisation of training schemes should be examined comprehensively by a Committee consisting of the Principal, Artisan Training School, Senior Officers and one or two representatives of technical training institutions in the country. While considering this question, the desirability of locating elementary as well as intermediate training centres on a regional basis and having advance central schools may also be considered. This Committee, which may be set up at an early date, should be asked to examine all the training schemes existing at present with a view to their being rationalised and streamlined to facilitate recruitment, training and employment.

3. Special steps should be taken to meet the shortages of highly skilled craftsmen as these continued shortages are bound to effect the efficiency and economic functioning of Ordnance Factories.

4. As there are no special arrangements for the training of Assistant Works Managers, the feasibility of having a common school for providing basic training to Assistant Works Managers in common subjects, viz. organisational matters, personnel management, industrial relations, cost control, planning, production control *etc.*, should be examined, as also the possibility of reducing their period of training.

5. Short refresher courses should be introduced for members of the supervisory staff drawn from the whole Organisation. The curriculum of training may include subjects like managerial functions, industrial relations and problems, factory expenditure, cost control *etc.* Due emphasis should be laid on the subject of cost control and thereby efforts may be made to make the staff of Ordnance Factories more *cost-conscious*. The value of this training would be further enhanced if in addition to the training, instructors and senior members of managerial staff of the Factories and the technical colleges are also invited to give lectures to the trainees of the school.

6. Schemes like the "Training within Industry", at present prevalent in the U.S.A. and some of the European Countries should, be introduced on a wider scale in all public undertakings in India, including the Ordnance Factories.

7. To make the various training schemes more effective, audio-visual methods like short films on factory problems, *e.g.* cost control, labour management *etc.* may be adopted.

**EFFICIENCY AND ECONOMY IN THE IRRIGATION AND POWER SECTOR: REPORT OF THE STUDY GROUP.** *New Delhi, Ministry of Irrigation and Power, 1956.*

The Study Group was appointed in May 1956 by the Central I. & P. Ministry to make a study of the problems relating to efficiency and economy in the field of irrigation and power. The Group submitted its report in

December that year in the form of an "action document". The major recommendations of administrative interest, made in the report, are as follows:

(a) *The Concept of Efficiency:*

The concept of efficiency involves consideration of the following questions : (1) Is the organization *making* the best use of its capital resources and revenue returns (e.g. in the case of autonomous organizations), as well as conserving and making the best use of foreign exchange resources ? (2) Is the organisation *making* the best use of real resources ? (3) Is the organization *providing* services/goods to the Government or Public or to the consumer efficiently and at the lowest cost ? (4) Is the organization well *adapted* for securing the best use of capital manpower and physical resources and for ensuring efficiency and economic services to the Government, the public, etc. ? (5) Is the organization well adapted to, and the staff sufficiently capable of, securing the same needs *in the future* ?

Questions 1 to 3 are concerned with ends and Questions 4 and 5 with means. The distinction between 4 and 5 is of significance, because the major factors, in securing efficiency in a large-scale organization, are the 'Management of Time' (i.e. planning) and special ability required for anticipating and preparing concretely for the future. The problems and methods for securing efficiency and economy differ from stage to stage.

(b) *Personnel*

1. Basically, the problem of efficiency and economy is a problem of attitudes. Integration and co-operation between talents; attitudes of persistent search after efficiency and savings in costs; the development of personnel and their integrity are fundamental factors for securing efficiency and economy.

2. The present sectional or negative attitudes of engineers, general-administrators and finance men are, in part, a heritage of attitudes of static regulatory administration; in part, defensive inhibitions of a specialist who may not always appreciate the new complexities which he has to manage and the need to keep himself under constant re-orientation.

3. Engineers at all levels must be given courses in cost control and industrial engineering, and the senior amongst the profession should re-orient themselves in the methods of management through seminars, personal visits, contacts and selected reading.

4. Training in industrial management should be a part of the syllabi of graduate courses for engineers.

5. The finance-man has to function with a production-cost outlook rather than audit outlook. Experienced middle-level finance-men with administrative experience should be sent to large-scale projects in the country and even to large-scale industrial-cum-commercial organizations abroad to observe, in actual practice, the approach and methods of functioning of large-scale enterprises with speed. The management there have worked out a balance between delegation and supervision and control, which permits over 90% of decision-making at the operational level.

6. The administrator has got to appreciate his role as an "integrator of talents".

7. The administrators, finance-men and engineers, all have to educate themselves in regard to personnel and labour matters.

8. (i) The problem of provision of experienced personnel for training and research institutions deserves to be attended to immediately. There should be a joint cadre for the executive side and the teachers etc., who are not required to stay for continuity or specialisation. For efficient teaching, the ideal combination may be a theorist with adequate field experience and specialisation in one branch of that field.

(ii) In order to attract the right quality of personnel for research, the pay scale at the lowest level should be made higher than the scale provided for executive work though further promotions should be made on selection basis.

(iii) Co-operative arrangements may be made, for obtaining or building up personnel, with Governments which have established cadres, by adding supernumerary posts at the necessary levels at the cost of the needy party.

9. Manpower planning in the Irrigation & Power Sector should aim at: (i) providing 'feed' for the coordination between demand and supply in regard to each category of personnel in the country; (ii) making timely arrangements for meeting specific skills for specific jobs; (iii) providing 'feed' for statistical overall assessment of the occupational structure in the country; and (iv) coordinating specific demands for personnel with specific surpluses in individual projects from time to time. The Ministry of Irrigation & Power should immediately attend to the first three objectives. The manpower estimates in the I & P Sector are related to the decisions in regard to (a) mechanisation of construction, and (b) the agency (departmental, petty contractor, big contractor) to be employed. These estimates, to start with, can only be tentative.

### *(c) Planning & Pre-construction stage*

Decisions which may result in maximum economy have to be taken at the pre-construction stage, and depend upon the adequacy of investigations, suitable designs and estimates based on up-to-date analysis of the rates-costs thrown up in actual practice. Each State should forthwith establish a water resources investigation unit under the charge of an officer not lower than the rank of a Superintending Engineer with a proper compliment of the junior staff and an experienced and competent agricultural officer fully conversant with the soils, training conditions and agricultural practices in different areas of the State. The detailed project reports and estimates for the third Five -Year Plan must be completed not later than the middle of 1960. The basin-wise water resources report and fixation of priorities for detailed investigations of projects should, therefore, be completed not later than the end of 1957.

The State Design Cell should collect the latest rate data of projects completed recently or under execution, so that complete break-up of important rates involved in the estimates is readily available for application to the estimates of future projects.

The services of a suitable retired Chief Engineer should be immediately obtained for getting relative Manuals for investigations, preparation of estimates and project reports, prepared on a high priority basis. These manuals will serve three aims: (a) preparation of project reports with a view to achieving optimum utilization of water sources commensurate with cost, (b) preparation of realistic estimates which are correct within a margin of 10%, and (c) permit evaluation of experience and working in terms of rates and costs at the construction stage and for the preparation of up-to-date rates and costs schedules for further planning. To ensure this aim, as recommended by the Rates & Costs Committee, a uniform list of ingredients should be adopted in estimates.

Long-term realistic schedules in regard to planning and construction should be worked out to secure the best use of capital, as has been done by the Central Authority for Electricity in U.K.

#### *(d) Construction Stage*

1. Productivity, employment of minimum real resources and quality are the three main aims to be secured at the construction stage.

2. Efficiency and economy in this phase is dependent on: (i) Setting up of a planning organisation under an adequate Chief Engineer two to three years in advance of the start of the execution of work in full swing after the project has been sanctioned; (ii) After the Work has been awarded the main role of the Administration would be co-operation and vigilance—i.e. (a) inspection in regard to progress of work and for quality control; (b) prompt payments to contractors; (c) ensuring adequate provisions of amenities to labour and, (d) combating corruption; and (iii) In the case of departmental construction, the main tasks concern organisation, personnel, annual and seasonal scheduling of work, efficiency of workshop, maintenance and utilisation of machinery, organised attention to productivity and relations with labour, skilled workers and staff (amenities and incentives) and evaluation. Two factors which underline the entire arrangements are team spirit and right human relations.

3. Before the construction of a project is started it is essential to have a Master Plan showing the plant layout of the project. In the preparation of this general plant layout, it is considered desirable that the Chief Engineer associates himself with two other engineers who have got real experience of the type of equipment that is to be used for construction.

#### *(e) Co-ordinated Development of Power*

1. A Co-ordination Committee consisting of the State Chief Engineers for power, a representative of the Power Wing of the Central Water & Power Commission, and Adviser (Programmes Administration) concerned with the particular zone, should be set up, to : (i) get studies made in regard to co-ordinated development of power within the zone ; (ii) suggest legislative administrative measures required for bringing about co-ordinated development ; and (iii) advise on other questions which usually arise when power is obtained by one State from another.

2. Simultaneously with the establishment of arrangements for overall planning of the river system, a survey in regard to areas which need and can take irrigation should be organised by the Revenue and Agricultural Departments of the State Governments.

3. Development of land should be planned in advance and form an integral part of the Project Report. The report should include an assessment of the steps to be taken for timely development, e.g. setting up of N.E. Organisation and demonstration centres ahead of availability of water, financial assistance, agricultural implements, fertilisers, live-stock, seeds. This should be a condition precedent to the acceptance of the project by the Planning Commission. The proposed Manual on "Preparation of Project Reports" should contain a chapter dealing with this aspect.

4. For ensuring timely utilization, a Development Board consisting of representatives of irrigation, revenue and agricultural departments may be set up in each State.

*(f) The Role of the Central Water & Power Commission*

1. The primary function of the Central Water & Power Commission is to co-ordinate knowledge, experience and research in regard to irrigation and power in the country and the rest of the world for securing technical efficiency. It has to function as a sort of staff organisation concerned primarily with the setting up of standards in regard to investigation, designing, estimation, preparation of project reports, rates and costs, and various matters connected with machinery, equipment, etc. and keep these standards in continuous review on the basis of actual experience in the field.

2. Its main role is that of a consultant and adviser to the Ministry of I. & P., the Planning Commission and to the States. The Chief Engineer in States should feel free to call upon the CW & PC for technical advice. Secondly, the CW & PC should, on request, be in a position to prepare workable alternatives in regard to detailed designs and take responsibility for such designs. The Designs Wing of the CW & PC may be strengthened, if necessary. A scheme should be framed to secure these aims. The CW & PC should be in a position to adequately attend to the task of designing without being involved too much in administrative work. Secondly, the design staff should be drawn from or kept in touch with the construction work.

3. A Central organisation like the Central Water & Power Commission should be able to obtain the services of personnel who acquire experience in specialised design work in the country in order to make such specialization available to all the States, when they need. After the States have prepared their first designs they may be discussed with the central organisation for securing the benefit of their co-ordinated knowledge and experience at the stage of planning and designs. A book of specifications and designs should be brought out. Deviations from this should preferably be made in consultation with the central organisation. The broad designs (specification) of all the major projects in the country costing more than Rs. 5 crores should be finalised before any work is started. Specifications of the works must be prepared along with the designs. Specifications and designs of all the major projects prepared by the State Engineers may be scrutinized by the Central Water & Power Commission.

4. It may be advantageous to make available to the Central Water and Power Commission the talent of retired reputed construction and design engineers for either working on individual problems or for making basic

scrutiny of project reports. They would be able to give adequate time to the job. It will be, however, necessary for the reputed construction design engineers who have retired to keep themselves up-to-date.

5. The CW & PC, in consultation with the State Chief Engineers, should prepare the Manuals (a) giving standardised methods of designs and typical drawings of structures such as regulators and falls, etc. (b) on arrangements for quality control, and (c) on Construction Plant lay-out. The Rates Section in the Central Water & Power Commission should be strengthened to carry further the work done by the Rates & Costs Committee. These units should be equipped to function with adequate speed. The Central Water & Power Commission should also co-ordinate experience in regard to organisation and methods relating to stores and workshops.

6. The CW & PC should continue the work initiated by the Construction Plant & Machinery Committee and fill gaps by instituting a proper system of reporting and special studies. It may assist the Control Boards in developing arrangements for control without day-to-day interference and for securing increased efficiency and economy.

To secure adequate and prompt scrutiny of estimates submitted to the Central Boards, the CW & PC should be consulted in regard to specification designs.

#### *(g) Organisational Forms*

1. In balance, the Control Board is a better arrangement than a Corporation in regard to an organisation for construction, maintenance and utilization of benefits of inter-state River Valley Projects. On the other hand, there may be need for a statutory organisation for maintenance of the dam, etc. and for regulating the distribution of benefits in the case of inter-state projects under one man (with adequate staff). The person in charge could be placed under the control of a Committee representing the State Governments and may be, also the Centre.

2. Structurally the Control Boards, being high-powered and high-level bodies of part-time busy members, may function as an "okaying" body. Their membership leaves little scope for supervision of its work. Some of the Boards have dealt with question of delays by prescribing emergency procedures. They have been able to provide initiative occasionally in addition to co-ordination, on the strength of the experience gained by them in other control boards. Being high-level, the Control Boards should also equip themselves for self-criticism in regard to their own working.

3. The Ministry of I. & P. may organise a study of (a) the manner in which the Control Boards have performed their functions and exercised their powers; and (b) the manner in which they have dealt with at their level with specific problems and factors essential for securing efficiency and economy.

4. A representative of the CW & PC at the member level should be a member of each Control Board. It is also necessary that a representative of the Irrigation and Power Ministry should be on the Control Boards. In the case of multi-purpose projects, the Chief Engineer for Power, who

has often to secure decisions of the Control Board and also to contribute to the decision-making process in the Control Boards, should be a member of the Control Boards along with the Chief Engineer for Irrigation.

5. The Secretary of the Control Board should preferably be a whole-time person and may be appointed in consultation with the Board.

6. It will be useful to have a Standing Committee of the Control Board which could examine in detail the estimates submitted to them and report in time for the next meeting of the Control Board.

*(h) Relationship between the Chief Engineer and the Administrator*

1. The relationship in regard to the operation level should be determined on the following basis : "Where the decision-making process and the staff are mainly or predominantly technical, the head of the organisation should be a technical person, experienced in organisation. He should be assisted by administrative personnel for performing administrative functions. Where, however, the administrative functions, e.g. rehabilitation of displaced persons, etc. are of a size and complexity demanding a high level administrator, the Chief Engineer and the Administrator should function as colleagues serving a common aim". The responsibilities and delegation of power to the General Manager, Bhakra, should be regarded as a model to be adjusted to suit local conditions.

*(i) Delegation of powers*

1. The system of delegation of powers combined with the emergency procedure adopted by the Bhakra Board to the Chief Engineer may be adequate for the scale and speed of operations, provided some limit is placed on the time to be consumed by the emergency procedure.

*(j) Finance & Accounts*

1. (i) The system of cost control for construction jobs, which is a mixture of unique-product and mass-product production, would involve work studies; training for the unique-product part of the job and standard costing evolved after work studies in relation to mass production part of the job. In the first stage, the primary need will be to train the supervisory personnel in work studies (method studies, time and motion studies) and the T.W.I. techniques for training workmen. After the supervisory and work skills, as well as cost accounting, have been routinised, will come the stage for cost control. The cost control unit may, thus start as a work-study-cum-cost accounting unit and develop into a cost control unit.

(ii) The Control Boards should arrange to develop arrangements in regard to preparation of detailed realistic schedules, cost accounting, cost control and standards as instruments of control, without interfering with the operational freedom.

(iii) At the Centre, there should be a Central Cost Control Cell to advise on the organisation of cost units and work studies, build up standards for control and planning on the basis of actual experience and present an assessment of increase in efficiency and productivity and comparison between the actual and estimated costs.

2. (i) The Ministry of Irrigation & Power has been equipped with internal yet independent financial advice as a first step forwards the adoption of U.K. arrangements (which include a device for obtaining assessment of finance-mindedness of the administrative secretary before the Prime Minister). The arrangements as in U. K. should be fully adopted, as soon as practicable.

(ii) The Finance Secretary of the State and the representative of the Ministry of Finance on the Control Board should serve as financial advisers to the Control Boards. In order to secure adequate attention, the number of joint secretaries in the Finance Ministry may be increased. It may also be necessary to strengthen the State Finance Departments.

(iii) A Chief Accounts Officer, responsible to the Chief Engineer, should be provided for maintenance of accounts and for giving internal financial advice to the Chief Engineer.

3. (i) A high-powered committee should be appointed in consultation with the Comptroller and Auditor General of India to re-examine the CPWD and CPWA codes in order to make them suitable for the present conditions.

(ii) The Irrigation & Power Ministry, in consultation with the Comptroller and Auditor General, should also examine the extent to which the Accounts procedure could be safely relaxed in order to give relief to the field engineers from office work.

(iii) The Accounting Departments in the Projects are not adequately staffed or trained. These weaknesses have to be removed on a high priority basis.

#### (k) *Stores*

1. Stores constitute the major expenditure in the River Valley Projects. In case of major river valley projects, the stores management should be centralised in a separate organisation in the project itself. The arrangements for transport should also form a part of this organisation.

In regard to stores, like iron, steel and cement which are controlled by the Government of India or which are scarce, the purchase organisation should plan ahead in consultation with the various works engineers in order to secure such stores in time.

During the construction period, a river valley project may be authorised to purchase its requirements directly, provided it has a properly organised purchase unit which should normally be strengthened by one or more experienced purchase officers deputed by the Directorate General of Supplies & Disposals. Such direct purchases should exclude items covered by the Rate/Running Contracts of the D. G. S. & D. The project authorities should, at the same time, establish close collaboration with the D.G. S. & D. so that items which may be required by more than one project and can, therefore, be purchased more economically by D. G. S. & D. by bulking, or any other items which they consider can, with advantage, be dealt with by the D.G. S. & D. should be purchased through the Central Purchase Organisation.

Estimates in regard to the requirements of spares for each category of equipment should be made on a proper analysis of the record of spare parts consumed by the machines in use on the project.

*(l) Labour*

1. The problem of labour relations is a human problem. The basic approach to this problem should be : (a) each individual, whether he is an unskilled, skilled, supervisory worker has to be respected ; (b) each individual should have sense of participation in the great venture of developing the country; (c) the test of any organisation—whether departmental or set up by the contractors—should be the increase in productivity of each individual; (d) the worker should have a due share in the increased productivity for which he is responsible; (e) a study should be made of comparative practices for providing incentives; (f) the specifications (in the contracts) should require the contractors to provide reasonable amenities and these should be standardised; (g) the organised public opinion and the Government should maintain the right balance between a fair deal for labour and discipline in order to secure productivity, which is the common aim of the organisation and the individual; (h) the labour organisations should take responsibility both for increased productivity and discipline along with a fair deal for the labour; (i) each zone in the country should have proper co-ordination of labour forces so that labour surplus at one project should be easily absorbed elsewhere without being retained unnecessarily; (j) there should be a committee of representatives of the labour on one side, and the C.E. on the other, to anticipate or resolve any disputes and grievances; and (k) whenever labour is employed in large numbers, labour welfare officers of sufficient status should be appointed, on each project site to look after their interests.

*(m) Quality Control and O & M*

An O & M Unit should be set up to take necessary steps in regard to delegation of powers, co-ordination between departments, work-studies in relation to office-work, in particular simplification of work procedure, to enable the field officers to attend adequately to the field work and the training of non-technical staff.

A separate organisation for inspection and quality control should be set up under the Chief Engineer to check the work of construction organisation and certify also correctness in following the designs materials and specifications for works.

*(n) Vigilance*

The Report gives an analysis of the opportunities for corruption in I. & P. sector and also enumerates the steps required to deal with the various aspects of the problem. A major instigating factor in regard to corruption is the disparities in income and standards of living between the public and private sectors. To ensure that these measures operate, it is necessary that there should be (a) will to combat; (b) will to expose ; and (c) facilities and time for combating. Secondly, the strategy and organisational arrangements employed for combating corruption by prevention or

by punishment—should function in a co-ordinated manner and with speed. Persistent drive towards combating corruption must come from the top.

An examination of some preliminary data has disclosed that in emergent situations, delegation of powers, without adequate inspection arrangements or spot supervision, may lead to the misuse of delegated authority and perhaps even the lowering of quality. Misuse of discretion, misreporting of facts may be indulged in the name of speed, thus providing free scope to the corrupt. There is also *prima facie* reason to believe that accounting arrangements are not adequate to the speed of execution thereby providing greater freedom to the corrupt but lesser scope for supervision and control.

Inspection to be effective should be serviced by well-organised intelligence. In making arrangements for checks and control the aim should be to stop misuse of discretion and yet preserve initiative.

A most useful instrument for controlling corruption is the sound detailed estimates prepared after adequate investigations. Arrangements should be made for securing prompt reporting of variances in regard to specifications, quantities, etc., from the estimates. These should be followed up immediately by field inspections.

Honest men, sandwiched between dishonest superiors and dishonest subordinates, are very much handicapped and may even suffer for not falling in line with the superiors combating corruption. Measures should be devised for retaining the initiative of honest men. For instance, steps should be taken to ensure that the records of honest persons are not spoiled and that promotions are ordered in a fair and just manner.

#### (c) *Public Co-operation*

Irrigation and flood control programme provide a good opportunity for seeking the co-operation of the people and in this vital field of national development there is a vast scope for voluntary effort. Works on which unskilled labour is entirely employed (like the canal systems), should, as a rule, be done by the villagers themselves and not through contractors, and in each village or group of villages, the villagers should be organised into co-operatives for taking up the work in their own areas.

#### **UTTAR PRADESH. REPORT ON TAHSILS ;** *By Commissioner for Reorganisation, 1957.*

The reports of the Commissioner for Reorganization, Uttar Pradesh, on the reorganization of Collectorates and Treasuries have been noticed in this *Journal* before. He has now prepared a third report on the reorganization of Tahsils. Its main proposals are for an overhaul of the administrative machinery at lower levels and for streamlining the accounting procedure of land revenue collection. Although the report has not yet been considered by the Government of Uttar Pradesh, the proposals are mentioned here in view of their general interest.

##### *1. Overhaul of Administrative Machinery at Lower Levels.*

2. The villager has to deal with many petty officials, e.g. the Lekhpal (formerly called Patwari), the Amin, the Panchayat Secretary, the Village

Level Worker (for short VLW), the Policeman, the Canal Patrol, officials of the Departments of Agriculture, Animal Husbandry, Cane, Cooperative, and many others. A number of these have overlapping duties. Those with specialized functions have inevitably large areas under them.

3. The following table will give an idea of the size of the pay bill of some of these officials :

Designation	No.	Scale	Total
1. Lekhpals	18,126	85% on 35-55 } 15% on 55-65 }	1,14,65,000
2. Village Level Workers	2,575	75-120	43,25,000
3. Panchayat Secretaries	8,543	50-75	70,30,000
4. Panchayat Inspectors	444	120-200	17,65,000
5. Amins	5,097	60-120	76,45,000
6. Amin's Peons	10,194	22-27	55,65,000

4. It is anticipated that during the Second Five Year Plan there will be 6,025 Village Level Workers more. Revenue Department has also asked for 9,600 more Lekhpals and appropriate supervisory staff.

5. The Lekhpal (formerly Patwari) is a functionary whom the villager has understood well from times immemorial. He still wields considerable influence. Officials of all Departments appeal to the Lekhpal for help in their own sphere and are seldom successful without it. Entrustment of panchayat, development and collection work to the Lekhpal would improve things for the administration and the arrangement will be viewed with favour by the villager. At present the Lekhpal deals with 5 or 6 villages. If he is to be given the above duties in addition his charge will have to be reduced. It would be adequate to appoint one Lekhpal for every three villages. This would mean the employment of additional 14,000 Lekhpals. The emoluments of the Lekhpal should be increased by giving him a monthly cycle allowance of Rs. 4/- (unconditionally) and a development allowance of Rs. 5/-. The village chaukidar should assist him while taking money to the Tahsil and get Re. 1/- for each such trip. The Lekhpal should be under the Kanungo, Naib-Tahsildar and Tahsildar for his revenue duties and under the Assistant Development Officer for his development work. The Supervisor Kanungos should do the work of Panchayat Inspectors also and their strength should be increased to 1100. Their pay scale should be upgraded from Rs. 75-125 to Rs. 100-150. All Naib-Tahsildars, Collection or otherwise, should form one cadre and one Naib-Tahsildar should be put exclusively on Sub-Treasury work as Sub-Treasury Officer. *No one should be retrenched or have his pay reduced.* Panchayat Inspectors should be absorbed as Kanungos and Village Level Workers, Amins and Panchayat Secretaries as Lekhpals. The above Scheme is expected to save for the State exchequer over 2 1/2 crores of rupees annually.

## II. Streamlining of the Accounting Procedure for Revenue Collection.

6. Recent land reforms have increased the land revenue of the State from Rs. 7 crores to Rs. 22.5 crores and the number of persons from whom it has to be collected has gone up from 2 lakhs of well-to-do land-owners to 2 crores of peasant proprietors.

7. For purposes of collection of land revenue a Tahsil is divided into circles, each under an Amin. The field work of Amins is supervised by Naib-Tahsildars. The collections made by Amins and the amounts deposited by them into the Treasury are checked by the Wasil Baqi Navis or the Assistant Wasil Baqi Navises.

8. The present procedure may be described briefly—

- (1) In May each year the Jamabandi is prepared in triplicate, one copy for the Tahsil, one for Amin and one for the Gaon Sabha.
- (2) The Jamabandi is checked cent per cent once by the Kanungo and a second time by the Naib Tahsildar.
- (3) The Amins take the Jamabandis and receipt books to the villages and collect money from May 15 to September 30 and again from October 15 to March 31—the intervals are used for compiling accounts.
- (4) The receipt book is made out in several columns for arrear and current demand. The Amin makes out a receipt for each payer with a double-sided carbon. The original is retained and the copy is given to the payer. The payer's portion contains a coupon, which is left blank by the Amin. The coupon is filled in by the Collection Naib-Tahsildar in the course of his tours and brought back to the Tahsil where it is pasted by him next to the original. The Naib-Tahsildar has to bring back 10% of the coupons issued. Finally audit parties check whether the coupons and originals tally.
- (5) The Amin brings the money collected by him to the Tahsil once a week, and pays it in a lump sum in the Tahsil Treasury after check by the Assistant Wasil Baqi Navis. For such transactions the Amin has to prepare a chalan, a list showing the total collections in each village, and another list (form A) showing the amount collected from each person—all in triplicate—one each for himself, for the Tahsil and the Treasury.
- (6) The Assistant Wasil Baqi Navis checks each receipt with the list in Form A and the Jamabandi and has also to enter the amounts in half a dozen registers which are designed to watch the realization.

9. The rules which prescribe the above system display unnecessary distrust of subordinate staff, leading to their employment in much greater numbers than necessary, and creating an atmosphere where team work is impossible.

10. The recommendations which have been made for streamlining the procedure are :

- (1) Only one copy of the Jamabandi should be prepared once in 5 years, and it should be kept in the Tahsil. Each year corrections should be entered in it till it is due for being re-written. The re-writing should be staggered so that one-fifth of the Jamabandis are re-written every year. When it is prepared, 20%

of the entries should be checked by the Kanungo and 10% by the Naib-Tahsildar. The person who goes out to make the collections (hitherto the Amin) should be given an abstract showing only the name of the tenant and the net demand.

- (2) The card index system, which is now available in the market in a highly developed form, should be used for watching the progress of collections instead of the present registers. The system would enable the demand for each village to be noted down in a card, the cards to be arranged circle-wise, the amounts of collections indicated at the bottom on a line, in which each notch stands for Rs. 100/-, by moving signals and the position of 60 villages made visible at a glance.
- (3) Only two copies of Form A should be prepared instead of three—one for the official collecting the money and the other for the Treasury.
- (4) The columns for arrear and current demand should be removed from the receipt book.
- (5) Receipt books should be in 3 different colours, one for land revenue, one for canal dues and one for other dues.



## BOOK REVIEWS

**REFLECTIONS ON INTERNATIONAL ADMINISTRATION;** *By A. LOVEDAY.* Oxford, *The Clarendon Press*, 1956, xxi, 334p. 42s.

Mr. Loveday's study of international administration is much more comprehensive and detailed than what the title of the book suggests. The study interestingly reveals that though the methods and techniques of international administration which were found successful prior to 1939 are no longer applicable in the changed circumstances of today, most of the administrative ills in the international sphere have arisen from an inadequate application of the basic concepts and principles which have proved their worth in the national field.

The book is divided into two parts; the first dealing with "Personnel Policy" and the second with the "Machine in Motion." The former covers problems relating to the maintenance of high morale and efficiency on the part of the staff, while the latter deals with the functions of councils and boards and advisory committees and the problems of administrative dispersion, research and finance. The author touches upon every problem of international administration, though he approaches them all from the point of view of the potential capacity of the international secretariat to promote economic and social progress and internal understanding.

The fundamental problems of the international administration are basically different from those of national services and the author, in the first two chapters of the book, describes briefly the peculiar characteristics, of the life and work of international civil servants. The task of the international civil servant is much more difficult and his life more tense, influenced as these are by factors like social isolation, the comparative insecurity of tenure, international tensions, lack of common experience and common background, the interplay of national prejudices, the dispersion of responsibility and the inconclusive nature of work arising from the lack of a legislature and ministers. In nature, the work of the international civil servant is more "diplomatic and promotive"—diplomatic in regard to the promotion of international understanding and goodwill and the securing of agreement; and promotive in respect of the economic and social progress to be achieved by collective measures, both national and international.

One must not forget that the international secretariat has had a long and chequered history. It has had its ups and downs and its moments of enthusiasm and depression. The course of a national secretariat can be chalked out with some definiteness, not so in an international secretariat. No one can foretell how its course will shift or whether it will broaden or narrow down. In such circumstances, planning is infinitely more difficult. The main reason for this is the fact that internationalism itself has not taken a definite trend. For instance, the United Nations Organisation may be regarded as a world State in embryo, a co-operative organisation for promoting the best interests of all its members or a debating society to discuss what would be best of all possible worlds. It would not perhaps be unfair to say that the United Nations has assumed something of all the three roles. Naturally

its secretariat has, from time to time, been called upon to perform all kinds of possible and impossible tasks.

The qualities required of international officials though not different from those in case of national civil servants, differ in their order of importance and relative value. Here, 'diplomatic capacity', constructive imagination and '*convivencia*' are especially important. Whereas "co-existence" is applied to nations or people, "*convivencia*" is applicable to individual members coming from different nationalities. The success of an international secretariat will depend more on the personality of its officials, their ethical outlook and character rather than on their intellectual attainments alone. While it is difficult to question these conclusions of the author, there are human limitations on the possession of all requisite qualities in any individual. To over-emphasise these qualities does at times tend to make the international staff appear somewhat "unreal".

Mr. Loveday feels that the present system of salary grades and narrow job specification, in the United Nations and other international agencies, places undue emphasis on specialisation and impedes both horizontal and vertical mobility. "It seems specially designed to give candidates and recruits from less-developed countries the least possible opportunities." The system of selection is geared rather to the job than to the men and is wasteful and unimaginative. The project system of budgeting followed in many international agencies is the financial counterpart of the narrow job specification system in personnel policy and is costly and inflexible. The author favours a sort of career system for recruiting international civil servants direct from universities at a young age and training and developing them on the job later. For heightening of morale he advocates, among other things, a flexible promotion system and wide and equitable geographical distribution of staff.

The United Nations Secretariat has certainly suffered greatly from optimistic expansion and hasty recruitment. National delegations, while freely advocating an expansion of the work of the Secretariat, have been very critical of any increase in its cost. The concept of an international career civil service put forward by the author, as the panacea for most of the weaknesses of international administration today, would hardly be a practical proposition in the present climate of cold war. In any solution which is proposed, one should not forget the present glaring imbalance in the regional distribution of the international staff. It might be worthy of consideration whether the system of interchange of staff between the international organisations and the national secretariats would help to solve the staffing problems. The recent experience, though limited, of manning the international secretariat in Indo-China in a similar way gives some support to the proposal.

While administrative dispersion has in some ways helped to counteract the adverse effects of international tension on the work of the international organisations, it has also added to the complexities of the problem of co-ordination. The existing co-ordinating machinery is hardly effective, nor are organisational structures and work procedures adequately streamlined. Here too, Mr. Loveday advocates the application of principles of "Administrative Liberalism" and points out that many of the weaknesses of international administration—such as a surfeit of ideas, projects, documents, and staff, of rules controlling the staff, turgent departments and consequential

high costs—, are due to the application of American principles of administration. Inflated administrative divisions and manuals will become unnecessary if proper personnel policies and the practice of "cooperative centralization of policy and administrative procedure and action" were adopted.

Mr. Loveday's analysis of and conclusions concerning the modern problems of international administration is backed by his long and distinguished service as Director of Economic, Financial and Transit Department of the League of Nations and also by a special study of the working of the United Nations and its specialised agencies. Like national secretariats, the secretariats of international organisations also function behind the scene. The part they play is often misunderstood and sometimes misrepresented. The present study, though it concentrates on some of the major weaknesses in the administrative policies and practices of international organisations, is intended to emphasise the dynamic role which international civil servants can play today in the solution of the world problems. The book should, therefore, prove valuable not only to secretariats of international organisations but also to governments of member-states and their delegations as well as to all those interested in the promotion of international understanding and peace.

—S. Lall

**ANTHROPOLOGY IN ADMINISTRATION;** By H.G. BARNETT. *New York, Row, Peterson & Co., viii, 196 p. \$5.00*

The book, consisting of five parts, contains an illuminating survey of the application of anthropology to administrative problems all over the world. The functions of international organizations like the International Institute of African Languages and Cultures, the Caribbean Commission and the South Pacific Commission, and of national organizations such as the British Colonial Social Science Research Council and the Office de la Recherche Scientifique Outre-mer, have been admirably summarized. The two levels of operation of these organizations have been clearly indicated. "On the one hand, there are councils which formulate, co-ordinate or allocate research work; on the other hand, there are research institutes with corps of fieldworkers who execute programs of their own or those of some supraordinate body" (p. 15).

Though the book is a store-house of information about the various applications of anthropology to administration, it is not free from small factual inaccuracies in places. For example, it has been stated that "The head of the Department of Ethnography, government of Assam, serves as adviser to the governor of the state" (p. 28). As far as is known, the Government of Assam has at present no Department of Ethnography. There is, however, one anthropologist, designated 'Tribal Adviser to the Governor of Assam', who is directly appointed by the Central Government and attached to the N.E.F.A. administration. In another place occurs a rather unwarranted criticism of the national government of India. "An expedition to the Andaman Islands was undertaken in 1948 at the request of the Ministry of Home Affairs for the purpose of making a modern economic, physical, and psychological survey of the population. Despite this auspicious beginning, the national government has not as yet become fully alive to the potentialities of an anthropological service in the handling of some of its most pressing problems in the rehabilitation of tribal areas" (p. 23). In fact, the Government of India is perhaps the only country in the world which

has been fully financing a large and comprehensive central Department of Anthropology for conducting basic researches in all branches of the discipline. This Department, with its headquarters in Calcutta and three regional stations in Assam, Central India and Andaman and Nicobar Islands, has been carrying on research not only in cultural and physical anthropology but also on linguistics, psychology and biochemistry.

Furthermore, in recent years at least four States, namely, West Bengal, Orissa, Bihar, and Madhya Pradesh, have started tribal research institutes in order to help the tribal welfare departments of the respective States in formulating and executing rational plans of welfare. It should, however, be stated here in fairness to the author that perhaps he could not, in the time at his disposal, verify or cross-check the information received by him from the different sources.

The author has taken special pains to explain and illustrate the various roles taken by anthropologists in their association with administration. "It appears that under official sanction their roles have been three: that of the contracted specialist on short-term employment, that of the permanently attached technical officer, and that of the administrator" (p. 33). The existing lack of co-operation between administrators and anthropologists based on wrong notions about each other's functions, and the difficulties therefrom, are then discussed with scientific detachment. Administrators might find the following observation of Mr. Barnett quite revealing: "It has been said that executive officers with no real appreciation of social science abuse it rather than use it when it is made available to them. Lacking confidence in it, they patronize it and indulge its advocates as it suits their purposes at the moment. An administrator with this attitude, like other human beings with strong convictions, appeals to research findings only to the extent that they support his predilections and preconceptions. As one anonymous critic has put, he 'uses social science the way a drunk uses a lamp post, for support rather than for illumination'. He is also likely to call for advice as a citizen calls for fire or police protection—too late for prevention and often too late to avert damage" (p. 69).

The question who is in a better position to determine policies and ends—the administrator or the anthropologist—has also given rise to a good deal of disagreement: "The government official regards it as his right and duty to make or execute policy: and this is not the business of the social scientist who, as such, is more capable of judging what is good for people than any other enlightened citizen, including the politician, the missionary, or the administrator himself. Most anthropologists, along with other social scientists, contest this argument, and in effect, declare their superiority as social planners, either on the basis of their scientific knowledge or their specialized interest in human affairs.... Because the subject matter with which they deal is human society, social scientists are in a better position than other citizens to formulate policy in terms of given ends or the reconciliation of conflicting ends, and to influence the public in its choices" (pp. 81-82). Both the points of view have been put forward by the author with force and clarity. A careful perusal of the book by our administrators as well as anthropologists will, therefore, be of benefit to both in clarifying ideas and building up effective co-operation between them. And this is of particular importance in the present period of India's national history when

comprehensive five year plans for the development of the natural and human resources of the country are being formulated and implemented.

—N. Datta-Majumder

**GOVERNMENT BUDGETING;** By JESSEE BURKHEAD. *New York, John Wiley & Sons, Inc.; London, Chapman & Hall, Limited, 1956. 498 p. \$ 7.50.*

Government budgeting as a special study is, with the increase in the volume and variety of Governmental activities, assuming a growing importance. This book which deals comprehensively with budgeting at federal, state and local government levels is, therefore, a timely and welcome contribution; and the author, a Harvard graduate, is well qualified to speak on the subject. He has served in the United States Bureau of the Budget and been associated with the Department of Economic Affairs of the United Nations. At present he is a Professor of Economics in the Maxwell Graduate School of Citizenship and Public Affairs at Syracuse University.

The budget of a Government is shaped by its politics, and as the author observes, by and large and with few exceptions, good politics has got to be good economics too. The close connection between economics and budget-making is well brought out.

The book is divided into four parts. Part I is concerned with the evolution of the modern budget system with special reference to U.S.A., Great Britain and France. It also discusses in detail private and public sectors in a market economy; the "Law of increasing State activity" formulated by the German economist Adolph Wagner; how the objective test of efficiency, which is ever present in the market economy, is lacking in the case of public economy; and how devoid of the profit motive but based on common social objectives, the approach to the allocation of public expenditure can be described as an exercise in marginalism. The section relating to the role of the budget as a tool of fiscal policy and an instrument for consciously influencing the economic life of a nation should be of special interest to administrators and economists in India and should enable them to appreciate fully the recent presentation by the Finance Minister of an economic classification of the Central Government Budget. The main elements of fiscal policy *viz.* taxation, expenditure, and debt management are succinctly dealt with.

Part II deals with budgetary classification which, the author says, is the structural key to conscious and rational government budgeting. The nature of budgetary classification, is ultimately dependent on the manner of grouping the various items of revenue and expenditures, and determines to a large extent the character of the decisions made by the executive and legislative authorities in the budgetary process. For that reason great attention has been devoted to classification techniques. After discussing at some length the relative merits and limitations of classification by function, by organisational units, and by objects of expenditure, the author concludes that the search for an ideal single classification is mistaken and fruitless.

The recent advances in budgeting technique all hinge on classification. The author considers that performance budgeting has ushered in a new era in budget making in U.S.A. Performance budgeting shifts the emphasis

from the means of accomplishment to the accomplishment itself. The chief drawback of the traditional methods of classification is that it does not enable legislators to determine what exactly is being approved. Performance budgeting enables legislators to make decisions in terms of social values for which they are eminently qualified, rather than be lost in a maze of individual items of expenditure, the justification of which they have no means of judging.

Dr. Burkhead then proceeds to distinguish between a programme budget and a performance budget and states that the former is "forward looking" and the latter is based on the past. In the preparation of budget estimates, programme determination should precede and set the framework in which the measurement of performance can be undertaken. Performance or programme budgeting furnishes the public officials a technique for explaining and justifying their contribution to the community and strengthens the role of budgeting as a tool of management. The budgetary reform in the direction of programming, the author concludes, is certain to improve the co-ordination of budgeting and planning, but before it can be universally introduced, considerable experience in performance budgeting must be gained.

A whole chapter of Part II has been devoted to the capital budget. While the technique in respect of a capital budget, the author points out, is inherently neutral with respect to the means of finance, there is an altitudinal disadvantage, which seems to be deeply imbedded, by closely associating the technique with a financial programme of borrowing for public improvements. The capital budget can serve as a satisfying ritual to support deficit financing; but unfortunately where this is its justification, the results are not wholly salutary.

The various processes involved in the formulation of the budget, legislative authorisation, execution and accounting and audit have been examined in Part III of the book. Here, the author rightly emphasises the need for maintaining flexibility of the budgetary process, as economic conditions and programme conditions inevitably change over time. The ability of a budget execution system to cope with these changes, he observes, depends in large measure on the way in which budget authorisations are written. The description of the evolution of the General Accounting Office under the Comptroller General, which follows, has a particular relevance to Indian readers in the context of the Government's recent policy regarding separation of Audit from Accounts. The purposes which Government Accounts should serve, the institutional arrangements to secure "Accountability" and the system of pre-audit versus post-audit are discussed in detail.

The last part examines some specialized problems of budgeting, such as revenue estimating and budgeting of public enterprises, the particular problems of the under-developed countries, *viz.* mobilising and directing of the surplus arising from increasing economic activity. The various organisational types of public enterprises have been detailed and the author's observations on the question of autonomy versus central direction are of special interest. Discussing the desirability or otherwise of the annually balanced budget, the author sums up the classical and the Keynesian approach as follows: "The classicists stress the control of the budget; and the Keynesian, the effects of the budget." The author concludes that it is for the future theorists to evolve a guide to budgeting which will serve both the purposes simultaneously.

Dr. Burkhead lists some of those classical notions on budgeting which have, from time immemorial, commanded great respect. These are the principles of comprehensiveness, which imply that there should be no extra budgetary funds outside the budget; of exclusiveness, which means that budget should deal only with financial matters and not substantive legislation; of unity, which requires that the budget be presented in gross terms; of annuality, which requires the budget to be presented each year and cover one fiscal year only. In place of these, which he terms as "hopelessly unrealistic" he enunciates the principle of "operational adequacy", that is, the budgetary process must be programmatic and capable of coping with the diverse governmental problems at hand, and that emphasis must be on flexibility and adaptability rather than on an ideal which is unchanging.

—M.S. Ramayyar

**VITALITY IN ADMINISTRATION;** By HERBERT MORRISON, *etc.* London, George Allen & Unwin Ltd., 1957. 78p. 8s. 6d. (*Published under the auspices of the Royal Institute of Public Administration*)

The six essays contained in this small book are derived from a series of lectures held by the Royal Institute of Public Administration in London in 1956. Six eminent persons each occupying a top-position in his own field of activity took part in the symposium. They are: The Rt. Hon. Herbert Morrison, C.H., M.P.; Mr. Basil Smallpeice, Managing Director, British Overseas Airways Corporation; Sir Alexander Fleck, K.B.E., F.R.S., Chairman, Imperial Chemical Industries Ltd.; Sir Wilfrid Neden, C.B., C.B.E., Chief Industrial Commissioner, Ministry of Labour and National Service; Mr. A.D. Bonham-Carter, Director, Unilever Ltd.; and Major-General G.N. Russell, C.B., C.B.E., General Manager, British Road Services. From experience gained in his own field each has subscribed to the view that, no matter what field of activity it encompasses, administration, to be really effective must be 'live' enough, not only to adapt itself to changes imposed on it by force of circumstances but also to respond effectively and speedily to the continual changes in environments, be they political, technical or social which make continual altered demands on them.

In "The Elected Authority—Spur or Brake", Mr. Herbert Morrison, by illustrations drawn from recent shifting political fortunes of the Labour Party, lucidly brings out the extent to which a democratic Government has to remain alive to its exacting responsibility to the electorate and the press.

The most catching illustration of what would constitute vitality in an administration is given by Mr. Basil Smallpeice, in "The Challenge of Competition". He compares it to the reflex action in the human body in which the circumstances of any situation are rapidly transmitted to the brain where decisions as regards appropriate action are taken, and, in turn, transmitted to appropriate parts of the body for necessary action. A 'live' administration must reproduce this process of "sensitivity of perception", "speed of decision", and "sureness of execution". For 'sensitivity of perception' the British Overseas Airways Corporation maintains a high power technical unit to keep it abreast of developments in the air craft manufacturing industry.

For "speed of action" the analogy of the human body, however, cannot be extended to its logical conclusion in the sense that while transmission of

perception to the brain might indicate complete centralisation of the decision-making process, the British Overseas Airways Corporation insists that decisions should be never taken nearer the centre than is absolutely necessary since nothing corrodes initiative more than excessive centralised decision-making. Mr. Smallpeice must be complimented for his bold assertion that if centralised decision-making is made necessary by force of circumstances it will remain healthy and vital only if the senior persons at the centre themselves abhor centralisation and lose no opportunity to reduce it.

For "sureness of execution", the most essential requisite of a *live* administration is the active participation of all concerned in the execution of policy decisions resulting from a complete understanding and acceptance of those decisions by all the members of the organisation. This is achieved in the British Overseas Airways Corporation by monthly meetings of senior executives with the national officials of trade unions where all policy decisions are clearly explained. As an excellent example of the vitality of the organisation, he quotes the extremely unnerving situation the Corporation had to face when, all of a sudden, it was robbed of its proudest asset, the jet-propelled Comet I. It is a tribute to the vitality of the Corporation that a massive re-organisation was successively carried out and their position in the highly competitive field maintained.

In the third chapter, in "The Pressure of Technical Change", Sir Alexander Fleck describes the manner in which the Imperial Chemical Industries maintains its vitality in adapting itself to the needs of *technical advances*. For an administration to be injected with vitality it is essential that the topmost level of policy makers must first manifest their vitality in the *creation of new policies*. Vitality manifested at this level will automatically reproduce itself at the lower levels. Hence the urgent *need for leadership*, particularly at the highest level. Vitality in executive function should stem directly from vitality in policy. Illustrations are given of various technical problems which the Imperial Chemical Industries had to face and the manner in which close cooperation between centralised policy-makers and decentralised executives enabled the organisation to solve these successfully.

Sir Wilfrid Neden assesses the value of "Human Relations as a Positive Factor" in maintaining vitality in administration. There is need for securing more than mere contentment in the organisation administered. Many firms may work at what is described as a 'comfort level' by means of incentive bonuses and the like; but the real test comes when for some reasons it becomes necessary to reorganise the administration since it is then that good human relations pay off. Letting the "reasons behind the rule" percolate down to the humblest operatives helps in securing their co-operation since they get convinced of the competence and the good faith of the management which is proposing the change.

In "The Motive Power of Higher Management", Mr. A.D. Bonham-Carter stresses another equally vital factor which influences efficiency at higher management levels, *i. e.* the acceptance of the need for regular self-examination. He describes how this particular problem was tackled in Unilever Ltd. by the organisation of evaluation teams, called teams for "Contact". The function of the "Contact" teams is to help the management of operating units to ensure that they are as efficient as they can and

should be. In this task, they seek the assistance of the specialists of the advisory sections. No investigation report is finalised unless and until it has been discussed by the people about whom it is written; they have the right to see the report first and the opportunity of discussing it and expressing their views on it. Even the extensive scheme of internal audit, in Unilever Ltd., works on the same principle, viz. no report is made without prior consultation with the people concerned. Mr. Bonham-Carter admits that this, of course, is not merely self-examination but a willing acceptance of constructive criticism aimed at self-examination.

In the last essay on "The Challenge of Organisation", Major-General G.N. Russell indicates how the benefits of a large scale operation can be secured without sacrificing the advantages of the small undertaking in which the dynamic personality is able to maintain vitality of the undertaking. A large undertaking, like a small man, can manufacture its own tongue, eyes and ears to ensure, like the small man, that the desired objective is being attained in the desired manner.

For accomplishing the administrative and organisational tasks which we, in India, are facing today, it is imperative that the vitality of the administration be kept at 'concert pitch'. The most essential requirements of a 'live' administration thus are :

- (1) leadership at the levels of administration;
- (2) appropriate delegations for executive action;
- (3) collaboration between 'executors and policy-makers' so that there is a greater sense of participation; and
- (4) a continuing evaluation to ensure the proper pitch of performance.

In this context, however, the warning given by Major-General Russell must always be kept in mind, that in our attempt to design the best we do not over-organise, as human beings do not give of their best if they are over-organised; the individual must always be encouraged to go about his work in a free and responsible manner.

—K.N. Butani

## NOTICES

**LEADERSHIP IN EDUCATIONAL ADMINISTRATION; BY CHITRA NAIK.** (*Ministry of Education, Government of India*). Delhi, *Manager of Publications*, 1957, ii, 22p. Rs. 0.37 or 7d.

The brochure, though small in size, contains an interesting study of different phases of educational administration, viz., the role of educational administrator as a leader, his relationship with the bureaucracy and the people and the equipment and methods by which he can successfully implement the educational projects.

**GOVERNMENTAL SERVICES IN THE PHILIPPINES ;** By H.B. JACOBINI & ASSOCIATES. Manila, *Institute of Public Administration, University of the Philippines*. 1956. ix, 640p. Price not mentioned.

A detailed factual study of the organizational pattern, functions and working of different departments and services of the Philippines Government. The major problems relating to the functions and the operation of the services have been pin-pointed. The political, legal and operational, framework of the services, viz. the Constitution, statutes, the Revised Administrative Code and the executive and administrative orders supplemented by the court decisions issued from time to time, has been indicated. It also outlines the recommendations of the Government Survey and Reorganization Commission and other recommendatory groups.

**HOSPITALS AND THE STATE—The Impact of the Change;** By THE ACTON SOCIETY TRUST. London, 1956, 54p. Price not mentioned.

This second pamphlet in the series 'Hospitals and the State' is a study based on the personal observations of a sociologist of the impact of change on the hospital services since the enforcement of the National Health Service Act. It deals primarily with the changing authority, responsibilities and status of the three chief officers—the heads of the medical, nursing and administrative services. The study poses certain questions for consideration of the authorities in the light of the results and conclusions of the survey.

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## SELECTED GOVERNMENT PUBLICATIONS

The following are some of the more important government publications recently added to the Institute's Library.

### INDIA

#### ACCOUNTANT-GENERAL, CENTRAL REVENUES, OFFICE OF.

Appropriation Accounts (Civil), 1953-54. Vol. I-XXIII.

The volumes contain the Appropriation Accounts and the *pro-forma* commercial accounts. There is a separate volume relating to each Ministry. The Audit Report—Part II and the Audit Certificate have been included in vol. I relating to the Ministry of Finance.

#### CABINET. O AND M DIVISION.

Descriptive memoir of the Ministry of Education (as on 1st April, 1956). 1957. 72p.

Descriptive memoir of the Ministry of Information and Broadcasting, Jan. 1956. 1957. 42p.

Descriptive memoir of the Ministry of Irrigation and Power (as on 1st April, 1956). 1957. 22p.

Descriptive memoir of the Ministry of Natural Resources and Scientific Research (As on 1st April, 1956). 1957. 50p.

Descriptive memoir of the Ministry of Railways (as on 1st April, 1956). 24p.

#### EMPLOYEES' STATE INSURANCE CORPORATION.

Annual report for the year 1955-56. April 1957. 99p.

#### FINANCE, MINISTRY OF.

Report, 1956-57. 23p.

Supplementary demands for grants for expenditure of the Central Government (excluding Railways) in 1956-57 (as recommended by the President). March 1957. 1, 34p.

#### INFORMATION AND BROADCASTING, MINISTRY OF.

Calendar reform. Publications Division, March 1957. 32p. As. 6.

#### LOK SABHA. Estimates Committee.

Forty-sixth report [Ministry of Defence (Lands and Cantonments)]. March 1957, iv, 121 p.

Forty-eighth report [Ministry of Transport (Major Ports)]. Feb. 1957. vi, 114p.

Fifty-second report. Action taken by Government on the recommendations contained in the sixth report of the Estimates Committee [on the Ministry of Food and Agriculture, November 25, 1953]. March 1957, iii. 158p.

Fifty-third report. Action taken by Government on the recommendations contained in the Seventh Report of the Estimates Committee [on the Ministry of Food and Agriculture, May 12, 1954]. March 1957, 124p.

Fifty-fourth report [Ministry of Defence—Ordnance Factories (organisation and Finance)]. March 1957, iv, 75p.

Fifty-fifth report [Ministry of Defence—Ordnance Factories (Staff-matters and Training)] March 1957, iv, 75p.

Fifty-ninth report. Ministry of Transport (National Highways and Roads). March 1957, iv., 80p.

**LOK SABHA.** Offices of Profit, Committee on.

Report of the committee on offices of profit. Part II-B. Dec. 1955, 296p.

**LOK SABHA.** Public Accounts Committee.

Nineteenth report [Appropriation Accounts (Defence Services), 1953-54] vol. II—Appendices. Nov. 1956, ii, 66p.

Twenty-second report [Appropriation Accounts (Posts and Telegraphs), 1953-54 and Audit reports, 1955, Parts I & II and Audit report (P & T), 1956—Part I] Feb. 1957, vii, 124p.

Twenty-third report [Appropriation Accounts (Civil), 1952-53 and Audit report, 1954—Part II and Audit report (Civil), 1955—Part I. vol. I—Report.] March 1957, iv, 128p.

**RAILWAYS, MINISTRY OF.** (Railway Board).

Report by the Railway Board on Indian Railways for 1955-56. Vol. II—Statistics. vi, 297p.

Supplementary Demands for grants for expenditure of the Central Government on Railways, 1956-57. March 1957. 7p.

Budget papers. [includes Demands for Grants for expenditure of the Central Government on Railways for 1957-58; White Paper on the Railway Budget 1957-58; Budget of the Railway Revenue and Expenditure for 1957-58; and Vote on Account for expenditure in 1957-58].

**RESERVE BANK OF INDIA.** Research and Statistics, Department of.

India's balance of payments, 1948-49—1955-56. Jan. 1957. iv, 79p. Rs. 1/8.

## STATES

### ASSAM

Agriculture, Department of.

Annual report, 1953-54. Part I. 1957. 3, vi, 89p. Rs. 1/8.

### KERALA

Budget papers, 1956-57 (last five months) [includes Demands for Grants and detailed budget estimates; Detailed budget estimates of revenue; Appendices to the Detailed budget estimates and Financial Statement of the Government of Kerala for the last five months of 1956-57.]

Budget papers, 1957-58. [includes Detailed budget estimates of revenue; Demands for grants and detailed budget estimates; vote on Account for expenditure of the Government of Kerala; Explanatory memorandum on the Budget and Annual financial statement, 1957-58.] 1957.

### MADRAS

Industries, Labour and Co-operation, Department of.

Report on the working of the Factories Act in the State of Madras for the year 1955. 1956, 134, 2p. Rs. 2/12.

Public Works Department.

Administration report of the State Broadcasting Department for the year 1954-55. 1956. 44, 2p.

### RAJASTHAN

Appointments (E) Department, O & M.

Annual administration report for the year ending 31st March, 1956. 15p.

### UTTAR PRADESH

Industries, Directorate of.

Development of industries in Uttar Pradesh, 1955-56. Feb. 1956. XXVIII, 208p.

### WEST BENGAL

Report on the administration of criminal justice in the state of West Bengal and the territory of Andaman and Nicobar islands during the year 1955. Issued by the Authority of the High Court at Calcutta. 1957, 12p. Rs. 2/-.

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